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ABSTRACT

The papers contained in this special report were written as background material for three conferences sponsored on behalf of the National Commission for Manpower Policy. (Information on the proceedings of the conferences can be found in a related document, ED 138 763.) The papers, by titles, included here are as follows: "Defining the Dimensions of a National Manpower Policy"; "Manpower Policies and the National Economy"; "Manpower Policy Goals for Urban America"; "Manpower and Rural-Urban Balance"; "Manpower Policy for Balanced Economic Growth"; "The Dilemmas of Renewing an Active Manpower Policy"; "Should Full Employment Be a Major National Goal"; "Full Employment: The Challenge before Us"; "The Interface of Public Policies and Economic Development"; "Do Our Statistics Measure the Real Labor Market Hardships"; "Youth Unemployment: Towards a Comprehensive Solution"; "Youth Unemployment, Bridge Jobs and National Policy"; "Industry-Education Collaborative Efforts in Youth Employment"; "CETA--The Basic Assumptions and Future Prospects"; "Manpower Programs and Services--The Infrastructure from the Local Perspective"; "Income Security at the Local Level: Cross Linkage between Employment, Training and Transfer Programs"; and "Energy Employment: The Critical Dependency in the U. S. Economy." (JH)

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Directions for a National Manpower Policy:

A Collection of Policy Papers Prepared for Three Regional Conferences

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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A Special Report of the
National Commission for Manpower Policy
Special Report No. 14
December 1976

1522 K Street, N.W., Suite 300
Washington, D.C. 20005

CE 015 889

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Robert T. Hall, Director

The papers contained in this Special Report were written as background material for three conferences sponsored on behalf of the National Commission for Manpower Policy. The opinions expressed herein are those of the authors and should not be construed as representing the opinions or policy of the conference sponsors, the Commission, or any other agency of the United States Government.

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FOREWORD

The aim of this short foreword is to place the present collection of papers in context, first in relation to the work of the Commission and secondly to its companion volume Directions for a National Manpower Policy: A Report on the Proceedings of Three Regional Conferences, NCMP Special Report No. 13, December 1976.

In the fall of 1976 in preparation for its second annual report the Commission decided to hold three regional conferences to elicit the views and recommendations of concerned groups about desirable next steps in the evolution of the nation's manpower policy. To carry out this effort, the Commission sought the assistance of three contractors - MDC, Inc., of Chapel Hill, North Carolina, the Human Resources Program of the University of Missouri-Columbia, Columbia, Missouri and the Employment Studies Program at San Francisco State University, San Francisco, California - who had sole responsibility for arranging the respective conferences, selecting the participants, securing the background materials and preparing the detailed agenda. The only guidance that the Commission provided was with respect to the critical themes which were youth employment, the coordination of macro-economic and manpower policies, and the assessment of the manpower delivery system.

The distillations of the discussions and recommendations of these three conferences are summarized in the accompanying Commission publication entitled Directions for a National Manpower Policy: A Report on the Proceedings of Three Regional Conferences.

The present volume contains the papers that the conference sponsors elicited together with formal presentations of speakers whom they selected to address their respective assemblies.

The Commission is pleased to make this collection available to interested individuals and groups in the belief that it contains many valuable illustrations of different aspects of the manpower scene. In doing so, it stresses once again, that it was the conference sponsors who took the initiative to invite the contributors and to provide them with a forum.

ELI GINZBERG
Chairman

I. DEFINING THE DIMENSIONS OF A NATIONAL MANPOWER POLICY

REMARKS BY

ELI GINZBERG, CHAIRMAN
NATIONAL COMMISSION FOR MANPOWER POLICY

DEFINING THE DIMENSIONS OF A NATIONAL MANPOWER POLICY

by
Eli Ginzberg
Chairman, National Commission for Manpower Policy

Dean Yanders, Professor Liebhafsky, ladies and gentlemen, I must tell you an Eisenhower story because I was squirming all through the Dean's gracious introduction of me. I was tied up with the Army medical department in World War II. And, we had an off-beat very able medical officer. I still remember his name, General Fox. He was the medical officer for the expeditionary forces in North Africa. He was really a public health specialist. So, as you may remember from the books, I'm the only one who is old enough to remember from life, when we got finished in North Africa we were scheduled to go to Sicily and Fox, knowing about malaria in Sicily, was trying to get the attention of the commanding general, Eisenhower, to take certain actions in the absence of which many troops could become ineffective. But he couldn't get at him. Eisenhower's staff just pushed the papers back. Finally, Fox found himself on a plane one night with Ike, and during a stopover he finally had a chance to secure General Eisenhower's attention. Fox launched into his concern about malaria in Sicily. Ike was a very impatient person--I knew him well. And he said, "Look, I'm not very worried about that, I've got a fella by the name of Fox on my staff and I understand that he's a very good public health specialist." Fox looked at him and said, "General, you sure have a better impression of that SOB than I do."

Let me say that I can't take credit for having much of anything to do with the energy initiatives that the Dean mentioned. Congress, in its wisdom, told us to worry about energy, and we, as dutiful servants, started to worry about it but, as yet, not very successfully. Until the United States gets an energy policy, even the best manpower commission can't do very much about it. But, I'm glad to take whatever credit is being handed out. I'll share it with Bob Hall who is entitled to the largest share. He does most of the work. I have most of the fun.

Let me say very quickly that I would like to thank Professor Liebhafsky, the University of Missouri, and all of you individually and collectively--the paper writers, the chairmen and the recorders because we are totally dependent on your work. We will eventually have a responsibility to put together what we've learned in Atlanta, in St. Louis, and in San Francisco. This is an earnest and real effort on our part to listen to what you have to tell us. What we will eventually recommend to the President and the Congress of the United States about possible action in the manpower arena will be informed by what you tell us. And I repeat again that we are really greatly in your debt for the help which you will provide.

Now that this is our second conference, the chairman's comments should be more to the point. Let me begin by telling you a little about how the Commission operates, how it works, and what we hope to

get out of this particular conference. Let me also share with you my conception of what manpower is about. On the last point I would simply say that manpower involves those policies specifically directed to improving the employability and the employment of people interested and able to work. Obviously, the federal government's total budget of $413 billion has something to do with manpower. There is a great deal of job creation, much income transfer, some educational and training money and other related manpower funds in the budget, not to stress a small amount of direct employment creation. Direct federal employment runs over 6 million.

This broader view of manpower is set forth in Garth Mangum's new book which has just been released. Mangum develops an accordian approach to manpower, the scale and scope varying on how widely or how narrowly one defines manpower. In terms of this approach, the rock bottom figure is around $4 billion, the maximum between $9 billion and $10 billion. But one can easily develop figures in the $50 billion to $100 billion range by including income transfer funds, education monies, and a broad approach to training, all of which impact employability and employment. Clearly manpower is a complex arena if the figures on expenditures can vary from $4 billion to $40 billion and even wider. Manpower really impacts every aspect of society. But it is not possible to deal analytically with all of society.

The Commission was created by Title V of CETA (12/73). In commenting about this title to both the Senate and the House Committees, I explained that the proposed Commission couldn't work because it mixed up the legislative and executive functions of the U.S. Government. The bill provided for a membership consisting of five members of the cabinet, plus the administrator of the Veterans Administration, and eleven public members. The administration's representatives are in a distinct minority, although the President appoints the public members. However, the Commission reports to the President and the Congress without OMB clearance. So, the Commission is a creature of both the Congress and the President, and for some time now different parties have been in control of each. It is complicated but despite bad forebodings it works.

The Commission was given considerable independence: it has its own director; receives basic support from the Labor Department; can draw additional personnel from the executive departments; and can accept outside funding. The double parentage and sponsorship--Congress and the President--has been affirmed from the start by the active participation of the congressional staff (from both parties) in the Commission's work. The legislation provided for a body that had limited prospect of working successfully but time showed that it could be made to function.

One proof is the list of documents that the Commission has published. The Commission early decided that it had to communicate with as wide an audience as possible in order to build up more understanding about and concern with manpower. It wanted to develop a constituency that could begin to interact with the Congress. A look at the list of publications underscores that the Commission has sought out meetings with

the corporate sector, the labor sector, with community groups. It has also met with foreign experts both in this country and overseas because it didn't want to reinvent the wheel. In short, the Commission has sought to come into close and continuing contact with as many groups as possible. Whatever errors we would make would not be errors of omission, only errors of commission.

As to this conference's agenda there are three subjects. They are the same three subjects as were on the agenda at Atlanta, and will be on in San Francisco, though the emphasis will vary from locale to locale. You have the toughest assignment because the interface between between manpower and economic policy is stressed on your agenda.

Appointed by President Ford on September 30th, 1974, we have just had our second birthday. We held our first meeting in November of 1974 just as the economy was beginning to slide out from under. The only way that one can survive in Washington is to try to be responsive to the urgent issues of the day. But we understood from the beginning that we had to do more than respond to immediate issues. Our major obligation was to meet the Congressional charge which was to help Congress define the dimensions of a national policy. We promised to do that in our second annual report and now we have to deliver.

We need help from you on four fronts. First and most important is in terms of developing an employment strategy. Secondly, how does one balance income transfer monies and employment opportunities. Mr. Carter recently went into one of the southern states where he made the statement that he was opposed "to having people on welfare who could work." This work-welfare interface is an important issue for us. Lots of money is going into income transfers. Let me just give you two figures: $10 billion for AFDC and about $18 billion last year for UI. Then if one adds food stamps, that's another five to six billion. So you have $34 billion before you turn around. The question Mr. Carter raised--and the Commission has also raised it in one of its earlier reports--is whether many on income transfers should not be encouraged to work for their income.

The third issue relates to manpower training which was the origin of manpower policy in 1962 when MDTA was passed. We would like to hear from you about your appraisal of the strengths and weaknesses of the programs that we have put into place. And finally we have pulled out for special inspection the difficult problem of youth unemployment. In responding, I hope you will include in your considerations the needs of rural as well as urban youth. We know that the problem is horrendous in the inner cities among minorities and other low income groups. But we don't want to overlook the serious problems in the rural areas.

Let me share with you a few notes that I wrote on the plane on my trip out. Let's postulate that training and jobs ought to be closely linked. Would you please reflect on the NABS effort, on the institutional training that you have underwritten and tell us what worked, what didn't work, and why.

Next, I mentioned earlier the income transfer-employment interface. We are currently running a big WIN operation, in the sense of requiring about a million persons to register. We started to make the people on WIN go through training and then decided that wasn't necessary and moved to direct placement. I would surely like to know how WIN is working from your perspective, and what is good about WIN and what isn't so good about it, and what makes sense down the line. One of the advantages of WIN is its use of positive incentives. You're not just threatening people with cutoffs. You are actually giving them some monetary incentive to go to work. Well I don't know if the jobs they get and the money that goes with them are sufficient to let them get off welfare. Anything you can tell us about WIN would be helpful.

Let me ask another question that has been of continuing concern to the Commission. Title II in CETA was an attempt to use public service employment to help minority group members to escape from poor jobs and to prepare them to get a crack at better jobs and careers. The recession overwhelmed these plans. But we would like to know whether, in your experience, public service employment has proved to be an occupational upgrading device or whether PSE jobs simply were another form of income transfer. The issue is important because in the recent extension of CETA, with the Senate in the lead, Title II was written to insure that minority groups be afforded the opportunity to improve their occupational status.

Another critical issue relates to the question of transition from school to work. Nothing is worse than to be born into the wrong family. Wrong in the sense that it has little money and only one parent; attending the wrong schools which means schools that teach you little. Finally to enter adulthood ready to go to work and to find that society has no need or interest in one's labor. That's what I call thrice cursed. If the United States understood how it is adding to social pathology by rejecting young people who are ready to join the ranks of adult workers, it might be a little more imaginative and more concerned about assisting these young people. The Commission is seeking ideas about the design of more effective programs that involve the last years of high school, training, and linkages to jobs. It is wrong in my view to pick youngsters up after they have wasted the last years in high school learning little and becoming increasingly alienated. That just adds to the trouble.

I am relaxed enough to thank you in advance for the contribution that you will make. I have no doubt that it will be of great value to the Commission. And if you make your contribution we'll try to make ours.

II. MANPOWER POLICIES AND THE NATIONAL ECONOMY

A SPEECH BY

CAROLYN SHAW BELL
KATHERINE COMAN PROFESSOR OF ECONOMICS
WELLESLEY COLLEGE

I must begin by commenting on the term "manpower" and telling you a story about it. As you know, I teach at a women's college, and because we are so strongly supportive of women, the question of sexist terminology used at Wellesley rarely comes up. For example, we are all comfortable with the term "chairman" - many of our academic departments have chairmen who are women, and the masculine form has been around for years, including the old days when most of the faculty were female. Another example - a very lively seminar last week discussed a definition of economics that begins by asserting "economics studies purposeful action. Man acts and man acts purposefully." None of the young women economists took the time to change the wording of that statement, so it referred to people, or to men and women.

On the other hand, we are indeed sensitive to sexist terminology where it does affect the way people feel or react or behave, and we strongly support the attempts to change well-known terms and phrases. I personally, however, sympathize with many of the people charged with making the changes: I think the word "manpower" is most difficult to replace. As you know, the Department of Labor's division of Manpower has been known as the Employment and Training Administration for over a year, but people still find the phrase awkward, and so do I. But some attempts to do away with sexist phrases have led to delightfully amusing incidents, like one that occurred to me three years ago in Washington.

At that time I was serving Secretary Brennan, briefly, on a committee concerned with developing advice on women's issues. During one meeting we listened to a report, given with some uncertainty by a man, on the revision of the Dictionary of Occupational Titles. He pointed out that the word "clergyman" had been dropped in favor of "the clergy," that "repairman" had been replaced by "repairer," that "firefighter" substituted for "fireman," "sales clerk" for "salesman," "flight attendant" for "stewardess" and so on. We listened with approval, which seemed to relieve his mind, and he then went to his second report, which revised the Department's regulations about leave, including leave for pregnancy. The new set of regulations referred, throughout, to persons who are pregnant. We told him it was OK to refer only to pregnant women, at least until some new evidence came along.

I don't think it is OK to refer to Manpower, but I don't think that ETA is an appropriate substitute. I think instead we should talk about human resources, as we talk about developing energy sources or about using our agricultural resources. I think we should realize that the most valuable economic resource in this country consists of human beings. We need to think of employment and training as investment in human capital, as a way of developing the great potential of talent, skills, ability, endeavor and industry that our people possess. So that is how I view your work and your concerns, and I reject the word "manpower" not because it is sexist but because it is too narrow, it does not encompass the significant contribution that such policies and programs can make.

In fact, my chief message is that manpower - and I am comfortable with the term for now - has been largely overlooked in the development of national economic policy. Let me tell you how.

Last month a public opinion poll surveyed the American public about the hard trade-off between inflation and unemployment. I don't remember the exact wording of the question, but it went something like this: Which is better, high levels of unemployment in order to reduce inflation, or putting people back to work even if it is inflationary? At least I do not think that version of mine is loaded, one way or another. You have all heard about this trade-off in various forms, and I want to talk about it in more detail. But first, what about the survey? What did people say when they were asked to choose between high rates of unemployment or rising prices? They refused the choice. They told the pollsters that they would not accept the terms of the question. They wanted both a reduction in unemployment and a decrease in inflation. In effect, they refused to believe that the trade-off exists, or if it exists, that it is inevitable. And I would like to discuss with you this afternoon some implications of this judgment.

First, what exactly are the terms of the trade-off? Do the people who want both lower unemployment and lower prices respond because they're ignorant, because they don't understand that it's impossible? Where did the trade-off notion come from, anyway, and how did it become so firmly embedded in the consciousness of our national policy makers?

Next, how does the trade-off, the choice between unemployment and inflation, relate to the sum total of our national economic policy? If we provide an answer to that trade-off, have we a complete description of the goals and strategies appropriate for the United States economy? Or do we have to say something more?

Finally, how does manpower policy fit into the trade-off, if at all? What other aspects of the economy, or of our aims and ambitions for the country's development, must be involved with manpower policy planning?

If I list for you the topics I want to discuss, this is no promise that they will follow in neat order, points one, two, and three. I am an economist, and one of the things I never tire of saying is that in economics everything is interrelated with everything else. But I think this framework, of discussing manpower and national economic policy in terms of the trade-off between inflation and unemployment, will provide us with an arena to touch on most issues, certainly those that have surfaced so far in this year's campaign for the presidency.

What about that public opinion poll? What are the facts of inflation and unemployment, and what is the choice we are asked to make? Economists first met this notion in an article published by Professor A.W. Phillips of the London School of Economics and technically we refer to it as the Phillips curve. The general public has been taught the word "trade-off," meaning a choice between two alternatives, one of which must be given up in exchange for

the other. Simply stated, the terms of the trade-off, or Phillips curve, suggest that as unemployment is reduced, the danger of price rises is accentuated.

Phillip's original article merely presented data on what had happened in Great Britain for almost a century and this relationship between higher prices and lower unemployment, or lower prices and higher unemployment, did appear very clearly. Similar pictures of what has occurred in this country have been presented by many economists so that we have learned that in 1957-58, for example, price rises almost stopped but unemployment rose substantially, while from 1965-1969 as unemployment dropped steadily prices began to rise.

Now just observing that something has happened does not tell us why it has happened, and there are a number of different explanations which I want to discuss in a minute. But first let me point out that if two things happen together, this does not necessarily mean that once causes the other, or, if cause and effect does exist, which is which. We need, therefore, an explanation of how reducing unemployment brings pressure on prices, or <u>why</u> as more and more people are out of work prices rise less rapidly. And we can be sure that the explanation will be more complicated than the simple statement "Full employment causes inflation" or its converse "Slowing the rate of inflation creates unemployment."

One reason it will be more complex is that since 1973 the figures have not shown as direct a trade-off as in earlier decades. Prices soared to double-digit inflation during the same year that the number of people out of work rose by over fifty percent - that's no trade-off, that's having the worst of both worlds. During the past year prices slowed a bit in their steady upward movement and unemployment improved - chiefly because of added government expenditures and new jobs at the state and local level. Both figures remain, however, at uncomfortably high levels. We sometimes forget that we are comparing figures that show a rise or fall in <u>absolute</u> terms - the total <u>number</u> of unemployed workers - to another figure recording a continual increase - price rises - but whose <u>rate</u> of increase may rise or fall. So if inflation decreases, prices are still going up - probably six to seven percent this year. Such an increase in prices would have been unthinkable as recently as the sixties.

Despite the fact that we now suffer from simultaneous inflation <u>and</u> unemployment, our national economic situation is still too often described in terms of the trade-off. What policy-makers have done is to lead us to believe that the trade-off also represents a policy choice. That is how that public opinion poll presented it.

We are asked not only to <u>give</u> up one situation - say high unemployment - in order to get another - and remember it's not lower prices, it's just a lower rate of price rises - but we are also led to believe that is the <u>only</u> way to get what we want. We are asked, that is, to determine a policy for action, to arrive at a decision so that our government can deliberately create unemployment, or inflation, according to our preferences. This view of the trade-off is indeed a very far cry from the original simple observations of what has happened in the past.

It is because the trade-off was presented to people in terms of such a deliberate plan of action, I believe, that those who replied to that public opinion poll refused the choice. And I agree with them. I do not believe that we need now be forced to make such a hard choice, to say that we prefer one evil to another. I do believe that we can reduce unemployment without creating inflation and I think the United States public, without knowing it, has issued a challenge by way of that public opinion poll, a challenge to policymakers to revise their economic thinking.

The revision needed is to take account of manpower policy. We suffer twin evils - high unemployment and continued inflation, and the economic policy now in effect flatly states that continued high unemployment is necessary to reduce the rate of inflation. The current Administration projects a six percent jobless rate for 1980. What kind of future does this envisage for manpower programs? What good are your goals or aims or strategies for specific areas, what use are the programs designed by your prime sponsors, why bother to be concerned about targeted groups in the population like unemployed youth if the national economic policy is to deliberately aim for continued high unemployment? Why train workers if layoffs continue to rise? I will not criticize the policy of combatting inflation by letter unemployment rise in details - I will merely say that first it's wrong-headed economics and second that it doesn't work. But I will point out that it nowhere allows for a constructive, positive manpower policy.

Now I believe, and I should emphasize that I have come to this conclusion as an economist, not as a wishful thinker - that once we recognize the potentials of manpower policy we can build a national economic policy that agrees with those people answering that public opinion poll who refused choice offered them. It is possible to achieve both goals, to reduce unemployment and inflation, with the judicious use of manpower policy or, in economic jargon, by integrating microeconomic programs with macroeconomic policy. I intend to discuss how this can be done, but I'm going to put it in terms of the trade-off, because that is still the way you will hear economic policy choices posed.

I want to offer a couple of explanations of the trade-off, and show you how adding manpower policy changes the terms of the explanation completely.

Let me turn to the first scenario offered by many who say that inflation is inescapable if government deliberately attempts to reduce unemployment. The script runs as follows. With a high level of unemployment, government attempts to increase production by raising total demand - perhaps by adding to Federal spending, perhaps by cutting taxes sharply so that consumers and business have more purchasing power. In the first few months the response is successful, production does increase, and firms step up their operations. They use more and more of their idle plants and equipment. And as production approaches capacity, or perhaps well before that time, and unemployment drifts downward, it becomes more difficult to find competent, efficient workers. Rather than add new people to their payrolls, many firms decide to work their existing labor force overtime. This, of course, adds to labor costs. Those firms who do want to add employees find that the costs of re-

cruiting workers and of training new people become significant. Such costs may appear for the first time for some firms, who can no longer find experienced workers and have to start from scratch, as it were. If the firm's personnel needs include special skills and experience, then some special, and costly, effort will be required to locate people with the particular characteristics, and perhaps some special lure must be offered, like higher wages, to get such people working for the employer.

We find, therefore, several sources of higher costs as the economy pushes toward full employment. These increased costs, paid by employers, must obviously be translated into high prices. So the inflationary spiral begins, as the price of reducing employment.

But wait. Must the higher costs paid by employers necessairly lead to higher prices for the output? What is omitted from this explanation is the link between inputs and outputs - between wages and other labor costs paid by the firm and the amount of production that results. What has been omitted, in short, is any mention of productivity.

If indeed moving toward full employment means that competent, efficient workers become hard to find, then labor costs will go up. But if manpower programs exist to train people in areas of competence, or if as firms increase their production the productivity of their workers also increases, then the costs of output need not rise. Developing programs to enhance productivity represents one of the major potential contributions of manpower policy, not only to the individual firm but to the economy as a whole.

Next, what about those costs of searching for workers, and of training them? If manpower programs can provide trained workers or people who are job-ready and receptive to on-the-job training, new hiring costs to the firm will not rise significantly. This means, in manpower terms, a variety of programs to get employers in the private sector to forecast their own demands for labor. It means local manpower authorities working with local firms to estimate, on a plant or establishment level, the number and type of workers it will hire if production expands. Frequently it means taking an inventory of existing workers in a given field and calculating how many replacements will be needed just to replace retirement and normal attrition, and then going on from there. It means supplemeting these estimates, these forcasts, with estimates of the other types of workers that will be needed, once such employers expand their output. Bob Brown last night spoke about the supporting services that would be needed if you increased the number of construction workers in an area - workers in entertainment, laundries and other personal services. These are the kinds of future-oriented thinking that private employers don't do in times of depression because they're gloomy about future prospects. and they frequently don't do it when things pick up because they're too busy managing production. But surely providing supplies to match an anticipated demand is precisely what manpower planning is all about.

If, therefore, as aggregate fiscal and monetary policies stimulate the economy to step up production and employment, there need be no pressure on

labor costs and hence on prices, provided that manpower programs yield a steady stream of workers in response to developing demands. And knowing that macroeconomic policies will sustain demand, both the private sector and the manpower authorities mobilizing labor supply can plan with confidence for continued expansion in employment opportunities.

Now let me turn to another explanation of the trade-off between inflation and unemployed, or the Phillips curve. This one runs in terms of a so-called "natural" rate of unemployment.

Any population, depending on its size, must have a certain number of unemployed workers if its economy is to operate efficiently. This is because people who enter the labor force for the first time, after leaving school or college, for instance, need to explore the market rather than take the first job that appears. The more information about job opportunities they have, the more likely they are to find a position in which they can be fully productive. On the other side of the bargain, employers benefit when they have some choice among applicants and jobs, rather than having to fill a vacancy with the first person who turns up. In many cases the individual worker may try two or three jobs before finding one that most closely matches his potential skills and productivity, and the individual employer may shift people around from job to job before maximizing the efficiency of the total operation.

Another reason for such frictional unemployment is the inevitable seasonality that accompanies certain types of output or the need to vary production to meet changes in consumer demand. It will be more efficient, or less costly, to have workers unemployed for a short space of time during which production changes can be made than to have workers laid off permanently because the old-fashioned firm goes out of business. This is the type of unemployment - idleness <u>between</u> jobs - for which the unemployment system was originally designed.

So the notion of a frictional rate of unemployment has a good deal of acceptance among economists. We recognize supporting evidence of all kinds. Some of us can remember the days of World War II when unemployment probably fell below this frictional rate, and when labor force utilization became highly inefficient, as a result. During 1943 unemployed workers totaled only one million, and the next year the unemployment rate fell to one percent of the civilian labor force. But people were "frozen" into their jobs (although the rules didn't work very well) and there were many examples of misfits. These ranged from the electrical engineer hired to develop a piece of military hardware who didn't know much about setting up a production line to the secretaries who couldn't be hired by one firm because they were already working, although only as typists, for another.

But the term frictional rate of unemployment has been superseded by a new phrase, the "natural rate of unemployment" when it comes to explaining the trade-off. Inflationary pressures start up, it is argued, whenever the economy is pushed below this "natural rate of unemployment," because the new workers take the wrong jobs, because shifting people and positions around is

impossible without some temporary unemployment, because production continues whether it's best suited to meet consumer demand. When unemployment falls below the "natural" level people are employed, and they are paid for working, but they don't produce as much as if employment opportunities were more flexible and some unemployment existed. So we get demand increasing from the wages paid, but supplies falling short of this increase in demand. The result, again, is price rises, this time from the demand pull of, shall I say, "unnaturally employed workers."

I do not for a moment deny that frictional unemployment exists, or that it plays a useful role in an efficiently running economy. But as this last phrase may have suggested, what I deplore is the recent and insidious use of the term "natural" in place of "frictional" in describing such unemployment. With its use has developed the major explanation of the trade-off.

In this case, it is argued that the natural and necessary level of unemployment has risen in recent years. If, during World War II, a more "natural" rate of unemployment than the one percent actually existing might have been as high as two percent, then after this War the natural rate probably rose to 3%, because cost considerations reappeared, after years of pressure for wartime production increases no matter what the cost. During the sixties the minimum level of unemployment became fixated in people's minds at 4%, despite the fact that this figure was originally mentioned only as a temporary goal at which to aim, during a period of much higher rates of joblessness. But toward the end of the last decade a new argument began to appear, making it perfectly "natural" in today's economy to have unemployment continue at levels as high as 5%, 5½%, or even 6% of the labor force.

This argument uses the word "natural" rather than frictional because it no longer discusses workers who are unemployed. Instead, it treats solely unemployed people. Proponents of this explanation point out that teenagers, blacks, and women make up a larger percentage of the total labor force, and that such people just naturally have higher unemployment rates than other people, like white adult males. That being so, it is natural, and acceptable, to have aggregate unemployment ranging anywhere from 5½% to 6¼%, especially when it can be shown that unemployment among married men has fallen below four percent. In fact, it has been argued that our current situation with almost eight million unemployed persons should really be described in terms of a more accurate rate of unemployment of only 2 or 3 percent.

Again, I submit that manpower policies and programs can knock the argument about a "natural" rate of unemployment into little pieces. Let me use the example that gets quoted most widely; the very high rate of joblessness among black teenagers. If we look at these young people as people, we can describe them as black, and between the ages of 16 and 20. But they are not unemployed because they are black, nor are they unemployed because they are teenagers. Futhermore, the two things they cannot change are the color of their skins and their age. If any policymaker wants to do anything about reducing the level of black teenage unemployment, he or she had better find out something else about these young people, and get to work on the problems that can be solved.

I am concerned about continual references to the "natural" rate of unemployment, and to demographic groups like blacks, women, teenagers, or Vietnam veterans, for two reasons. First, as I have mentioned, demographic characteristics like age and sex and race can't be changed, so you cannot design an effective policy in these terms. But second, and this is why I find the use of the word "natural" insidious, there is a strong implication that such unemployment is inevitable, therefore acceptable, therefore policies to remedy it need not be designed anyway. It is, after all, only "natural."

As an economist I deplore this argument because it abandons the economic term "worker" and the economic notions of skills, experience, training, productivity, and all the rest. And I believe that widespread use of manpower programs can restore such terms, and do away with the notion of any preconceived "natural" rate of unemployment for black teenagers, or people over 55, or any other demographic group.

I have elsewhere argued that using an unemployment rate is to define full employment cannot be justified since the base on which the rate is calculated, that is the labor force, itself changes as either employment or unemployment changes. I have pointed out that a three percent unemployment rate, for example, could represent three million people, or 2½% million, or 3½ million. It seems obvious to me, and I would urge that it should be obvious to all, that any concern with full employment must be a concern with human beings, with people, counted in absolute numbers and jobs counted in absolute numbers. I have argued that what manpower policy needs by way of basic data is an inventory of all the potential skills and experience available in the country, in other words, some data on labor supply.

Such an inventory would focus on the potential productivity of people, the human resources available in the country, and not only the demographic characteristics of people. And if manpower programs are to help supply efficient labor as a productive input for industry, trade, government, nonprofit institutions and other employers, then these programs need to focus on the skills needed in the jobs and the potential available, or developable, in individual people. Manpower programs should be concerned with labor market characteristics and not primarily with demographic groups.

We have unemployment figures, for example, for black teenagers. But we can't use those figures to develop any successful manpower program. We may design a program for high school dropouts which combines remedial education with on-the-job training and takes in a lot of unemployed black teenagers. But if it looks for high school dropouts, it will also, inevitably, assist white teenagers, and older people of all races who have inadequate general education, the millions of "functionally illiterate" people we know exist in our midst. The manpower program for people who have been out of the labor force for five or ten years may combine a refresher course in technical skills with projects to restore self-confidence and the ability to work with other people. Indeed, it may help reduce the rate of unemployment among middle-aged women who are returning to the job market. But it will also help adult men who are discharged from serving eight years in prison, or people of both sexes (and all races) whose disabilities or illnesses have

been cured. The manpower program for retraining skilled workers whose experience has become worthless because foreign competition has shut down the United States industry may indeed benefit chiefly people ofer 45 or 50, the "older workers" who form such a frighteningly high percentage of those currently unemployed. But it will also help younger workers, of both sexes and all races, who seek new skills in order to move to a different location, or find a different way of using their potential.

I believe that the aim and goal of manpower policies is to develop productive workers, not to find employment for specific groups of people, defined in terms of their age, or sex, or race. I think manpower programs are most successful when they are so designed, and that to identify a potential beneficiary from a manpower program we need to look at the potential productivity of such a person, rather than looking at color or age or sex. I think that manpower programs, whether they are already in operation or proposed or just beginning to be formulated, could contribute enormously to solving the trade-off problem by refusing to accept the notion of a "natural" rate of unemployment that is higher than it used to be because of larger numbers of specified groups of people. That is why I began suggesting that the proper substitute for the word "manpower" is probably "human resource development" and I reiterate that now, that if we look at everyone as a potential worker, and not a woman or a "prime male" or a "discharged Veteran" or a black teenager, then we can best utilize the enormous untapped reservoir of productivity that lies in all our population.

Again, let me point out that if manpower programs can do this, and can defeat the notion of a "natural" rate of unemployment, then once again we have no need to accept the inevitability of a trade-off. To use some specific figures, if we accept stimulative measures right now, to increase output and income, we can push unemployment well below the shocking figures of 7-8% that we have seen over the past two years, and by stepping up manpower programs, right now, we can avoid inflation in the future. If, as production increases and industry operates at a higher percentage of capacity, the supply of skilled workers continues to be forthcoming, then productivity will remain at high levels and prevent cost increases from producing inflationary price rises. If, as the economy reaches a higher growth rate and we find specific bottlenecks in particular sectors, like energy production or in particular skills like sheet-metal workers, the supply of new workers, and those who are re-entering the labor force is directed toward these bottleneck areas, then the limitations on further growth and expansion are lessened. It will be possible, therefore, to stimulate the economy toward full employment, and to use manpower policies, or positive programs for employemnt, to provide the particular types of labor that are required in a full employment economy.

Finally, there is another whole area of stimulating the demand for labor which I have not time to develop and will just briefly mention. To promote private sector employment, some have talked of removing restrictions and others of lowering costs to employers. There have been suggestions of having government pick up social insurance or pension contributions or unemployment taxes for those employers hiring specific targeted groups - say part-time workers

whose chief occupation is in going to school, or the long-term unemployed who are approaching retirement. The term "wage subsidy" is, I'm told, out of bounds to some, yet I know of no labor official or businessman who objects to the investment tax credit, which subsidizes the employer of capital, the purchaser of new equipment.

Why not, therefore, encourage investment in human capital, using financial incentives of a variety of sorts, tailored to the size of the firm or the amount of employment needed? Even if government shouldn't subsidize wages, surely it should be allowed to share in the formation of human capital. It's been doing that through public education for years.

The primary purpose of manpower policy, again, is the development of human resources. The dreadful waste of today's unemployment is often counted in terms of unused capacity - more than one hundred billion dollars of GNP that was not produced last year. And this is, indeed, a deadweight loss that can never be made up. But we must also realize that such lost output lessens our capacity for future growth. We are not building up, now, factories to turn out machine tools that we will need to gear up for future production. Worse, we are not training people now, and giving them the work experience that enables them to amass human capital for future productivity. It may be the unemployed who suffer hardship today but we shall all be worse off because of it tomorrow. So incentives to private firms to hire and train workers, to reduce unemployment to a newly defined number - not rate - of frictionally unemployed people, will pay off in the future like any capital investment.

Let me turn now, briefly, to some areas in which I hope manpower policy - or the development of human resources - will innovate and contribute even more to the betterment of society. Economists are often accused of being materialistic and measuring only productivity and output and costs, rather than being concerned with human values. And it is true that I have spoken so far in such terms, but it is because I have been discussing the trade-off, and those are the terms in which it is presented. If we move beyond that discussion, however, and rethink the notion of human resource development, then as an economist I will cheerfully abandon the limiting vocabulary of workers and productivity and labor costs and prices that has so far occupied me. For I think that the concern of manpower studies reaches beyond this structure to other areas of human resources. It seems clear that future "manpower experts" will be concerned with helping people develop all their potentials, through learning and education, for example, as well as developing their productivity through on-the-job training. With a focus on human beings, manpower planners will seek to develop jobs to fit the people as well as developing people to fit the jobs. And somewhere along the line I think that human resources development will take its rightful place as a basic social policy, rather than being restricted to manpower planning as an economic policy.

I will mention only three things, and only briefly. First, the recent Ford settlement has prompted some analysts to predict a recurrence of the trend toward shorter hours and weeks of work that has been interrupted since the thirties and forties.

Over the past century, as the American economy has grown in potential output, our people have chosen to take part in this increased potential in the form of time off the job. The six-day week and ten-hour day of 1865 dropped steadily downward as the years progressed. It averaged 55 hours a week just before World War I and 50 hours in the late twenties. But the forty-hour week introduced during the thirties - and made part of the significant labor legislation of that era - has stuck, ever since. As a result, of course, our economy's growth has meant the largest volume of goods and services ever produced - we have more things now, and more ways to use them, rather than taking part of this potential economic growth in terms of time off the job.

If in fact the Ford settlement means that workers everywhere will also ask for more time away from work, then the area of human resource development will inevitably shift away from the work place. We are no longer so naive to think of time off the job being "leisure," we know too well that Americans are busy during their time off, and what I am suggesting is that manpower policies in the future will be concerned with these "time-off" activities, whether they are formal education, developing a particular talent or skill, or engaging in new forms of social activities.

It seems possible that the actual time periods away from the job can fall into many patterns. It may be that some people will choose to alternate working with schooling for many more years than is presently common. It may be that weekend conferences or seminars will replace the regular "schooldays during the week" that have prevented so many adults from continuing their education. It may be that people may be more adventurous about changing jobs, using their "time off" from one occupation to test their liking for another. Whatever the developments, I think they clearly call for innovative cooperation between manpower experts and educated people concerned with education (I hate the word "educators") so that a new kind of expert - human resource developers - emerges.

Second, I think that innovation will come to be commomplace in designing jobs to fit people. I am not here speaking about job enrichment programs, as they are sometimes called, or about restructuring the factory so that production teams replace the assembly line. I am talking about rather simple things, like the widespread acceptance of flexitime or the deliberate creation of part-time jobs. More importantly, I am talking about developing, on the part of the employers and employees, a willingness to experiment with such new ideas when they come along. Such proposals offer a potential benefit that is twofold. Shifting the hours or time of work around may indeed increase productivity and on-the-job efficiency. But it may also allow people to develop their other interests, or their potential human resources. The handicapped worker who cannot travel in rush hour, but who can hold a job if he's allowed to start work an hour late, the student whose class schedule permits only irregular hours of work, the older person whose retirement activities are not yet quite demanding enough for him to abandon the world of work - these are some of the types of people whose human resources could be developed by a less rigid attitude toward the structuring of work time.

Finally, I hope that a new focus on human resource development will enable us to come to grips with one of the gravest of our current social problems - the question of work versus welfare. Oddly enough, this is the same kind of phrasing that is used for the trade-off between inflation and unemployment, and I suggest that whenever we find such an either/or statement, we distrust it. In the case of inflation versus unemployment, I have tried to outline for you how the contribution of manpower policies could change the nature of the trade-off. In the case of work versus welfare, I would like to make a similar suggestion, that this way of stating a problem leaves something important out.

Instead of welfare, let us think about income maintenance. That is the term, you remember, that a previous speaker used to address the problem. And the term "income maintenance" does far more than merely avoid some of the invidious connotations of the word "welfare." It reminds us, or should, that there are may different systems of income maintenance, and I would like to point out that working, or rather, holding a paid job, is one such system. To define paid employment as a system of income maintenance may come as a novel idea, but let us explore it a bit further.

Does paid employment provide an effective means of income maintenance? Obviously not in all cases. There may very well be a discrepancy between the income a person can earn from a job - or the kind of work a person can do - and the income to maintain that person. In such a case, how do we change the income maintenance system? Do we fill the gap by raising the wages at work? Or do we separate the two kinds of income entirely, and distinguish between wages paid for work, and income supporting people?

Let me restate the issue. Even if we provide manpower training, and even if sound economic policies lead to a growing economy with jobs for all, the question of income maintenance will remain. Even after training to become more productive, there may be people who cannot earn, on the job, an income that is sufficient to "maintain" them. What is the answer? Do we raise wages on the job so as to improve the income maintenance aspects of employment? Or do we let wages be determined by the productivity or output of the worker, and arrange for income maintenance in some other way?

You will recognize that any solution to this problem depends almost totally on our defination of what is a "sufficient" income. I have elsewhere touched on this problem, and I hope to continue raising it. But I have no solution, for I believe that the answer is one of social policy. And I think we may expect a different social policy when people have the time and the resources to develop their own potential.

To change manpower programs to human resource development may seem like an impossible, or even idealistic, hope. Perhaps it may seem only a semantic quibble. But it is difficult to overstate the significance of manpower policies, not only in our current economy but to our future development. The trade-off between inflation and unemployment, the hard choice of "either/or" that we have been told we must make, does not exist when manpower programs have been thoroughly exploited. Whether the pressures on

inflation come from unproductive workers, or from high costs of search, or from bottlenecks in particular sectors or areas of the economy, or from other causes in explanations I have not discussed, they can all be reduced by manpower programs. Training, placement, counseling, relocation, encouraging innovation in work and in producing workers - these can defeat the trade-off. That is why Americans were correct in saying No to the choice offered them in that public opinion poll..

But that is not the only possible contribution of manpower policy, if we expect our people to be concerned with more than work. In a growing economy, manpower policy serves not only the new worker, with vocational testing and guidance and training and remedial education or whatever, but continually serves <u>any</u> worker who has the desire to test new skills, or learn new trades, or try out new ways of working. And it is possible to think of manpower experts cooperating with social scientists and those who care about teaching and learning to develop all the potential resources of human beings. First, however, let's go on with the election, and get the economy moving again.

III. MANPOWER POLICY GOALS FOR URBAN AMERICA

A PAPER BY

BERNARD E. ANDERSON
INDUSTRIAL RESEARCH UNIT
THE WHARTON SCHOOL
UNIVERSITY OF PENNSYLVANIA

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by
Bernard E. Anderson
Industrial Research Unit
The Wharton School
University of Pennsylvania

I. INTRODUCTION

Anyone familiar with the quality of life in most American cities would hardly conclude that "the urban crisis is over." To a considerable degree, the problems of urban areas can be attributed to the inadequate quantity and quality of jobs and income earning opportunities for large segments of the urban population. American cities display varying degrees of inadequacy in the economic environment for jobs and income, but the general pattern throughout the nation is one of resources far too limited to meet the problems of urban unemployment, poverty, and dependency.

This paper will review some of the economic and social trends in urban areas and will discuss past manpower policy initiatives designed to deal with urban manpower problems. This review may help delineate the central issues that must be addressed in formulating an effective national manpower policy for urban areas.

II. CHANGING ECONOMIC BASE OF CITIES

Many urban centers have experienced significant change in their economic base over the last several decades. Among the more important trends have been major shifts in: (1) population size, (2) demographic composition of population, and (3) number and location of jobs.

A. Changing Population Trends

Between 1960 and 1973, many older Northeastern and Midwestern cities had net declines in population. Pittsburgh lost 21 percent of its population, compared to a loss of 23 percent in Cleveland, 26 percent in St. Louis, and 11 percent in Boston. Many others, including large cities like Philadelphia, New York, Chicago, and Detroit, also experienced population losses of significant proportions. At the same time, some other cities, mainly located in the South and Southwest, registered population gains but largely as a result of annexation rather than from net in-migration from other areas.

The population declines in the major cities resulted primarily from: a) slower growth in the Northeast and Midwest regions relative to other sections of the nation and b) intra-metropolitan relocation decisions which resulted in rapid expansion of suburban communities while many central cities lost population.

B. Changing Composition of Population

Most of the population trends reflect white out-migration occurring simultaneously with black and Hispanic in-migration. Since the mid-1940s, the black population in major cities increased dramatically. Between 1940 and 1950, for example, the black population in the nation's thirty largest cities increased by 69.5 percent while total population increased by only 40.0 percent. Migration during the 1950s, combined with high birth rates among urban blacks, produced rising racial concentration in many of the nation's largest cities. By 1960, four cities, New York, Chicago, Detroit, and Philadelphia, had more than 500,000 blacks; and seven other cities, Los Angeles, Baltimore, Houston, Cleveland, Washington, D.C., St. Louis, and New Orleans had more than 200,000. By 1970, blacks comprised a majority of the population in seven of the nation's 24 largest cities and were increasing their numbers rapidly in others.

C. Declining Job Opportunities

At the same time that many central cities were experiencing the population shifts described above, they were also experiencing significant reductions in private sector employment. Many industries were moving from the older regions of the country into the South and West where cheap land for manufacturing plants is more readily available and where labor costs are lower. Within the Northeast and Midwest, employment opportunities have moved to suburban areas where a large non-minority population lives and where land for expansion is more readily available.

Such shifts in job opportunities continue to reduce the pool of jobs available to inner city residents. Between 1970 and 1973, for example, Philadelphia lost 8.7 percent of its private sector employment; New York City lost 5.7 percent; and Detroit lost 13.4 percent. (Table 1). These losses exacerbate the problem of unemployment in the inner city and contribute to the difficulty of reducing poverty and welfare dependency.

D. Impact of the Recent Recession

In most large central cities, the long-run economic deterioration was seriously worsened by the recent recession. Unemployment increased more sharply in the older, heavily industrial cities of the Northeast and Midwest than in other areas between 1974 and 1975, but even some cities in the South and Southwest experienced higher unemployment stemming from the depth of the recession. The unemployment rate almost doubled in some cities, rising to 12.8 percent in Boston, 11.4 percent in Philadelphia, 15.6 percent in Detroit, and 9.8 percent in Chicago by June, 1975. In the same month, the unemployment rate was 12.5 percent in Phoenix, 10.0 percent in San Antonio, and 8.7 percent in New Orleans. Despite the employment gains registered during the current economic recovery, the unemployment rate in many urban areas remains significantly above the national level.

High unemployment rates produced shortfalls in tax revenues while

Table 1. TOTAL PRIVATE SECTOR EMPLOYMENT IN SELECTED LARGE CENTRAL CITIES (THOUSANDS)

	1973	1970	Percent Change (1970 to 1973)
Northeast			
Baltimore	328	348	-5.7
New York	2986	3182	-6.2
Philadelphia	709	777	-8.7
Washington	332	343	-3.2
Midwest			
Chicago	1272	1367	-7.0
Cleveland	234	203	15.0
Detroit	503	581	-13.4
Milwaukee	285	285	0
St. Louis	215	228	-5.7
South			
Dallas	394	386	2.0
Houston	581	549	5.8
West			
Los Angeles	1315	1281	2.6
San Francisco	409	451	-9.3

SOURCE: Bureau of Labor Statistics

the demand for social services was rising.[1] Because of budget constraints, many cities cut municipal employment and reduced services. Such economies merely exacerbated the problem of jobs and income in the community and, in some cases, further reduced the potential of the city to compete with other areas in attracting new private sector jobs.

III. MANPOWER POLICY AND URBAN AREAS

The manpower policy of the past decade was conceived in an environment of increased awareness and concern for problems of structural unemployment. Persistent unemployment concentrated in declining regions (such as Appalachia), and rising unemployment in some occupations becoming less labor intensive due to technological change, generated support for the Area Redevelopment Act in 1961 and the Manpower Development and Training Act in 1962. At that time, however, there was less than universal support for manpower policy as a mechanism for achieving the national goal of full employment. The prevailing view, most prominently expressed by the Council of Economic Advisors, was that the interim goal of 4 percent unemployment should be achieved by fiscal and monetary policy alone, and then other policy measures to improve the functioning of labor markets should help reduce the aggregate rate even below the 4 percent figure.[2]

The debate between the advocates of the "inadequate demand" and the "structural imbalance" schools is well known and will not be reviewed at this time.[3] It is important to recall, however, that manpower policy was initially viewed as a subset of broader economic and employment policy rather than a separate, co-equal partner in the policy mix.

A. Emphasis on Job Training

Advocates of manpower policy had an inherent faith in training as a means of dealing with structural imbalances in labor markets. Many believed both short term and long term benefits could be derived from training the unemployed to fill job vacancies in labor shortage occupations. The complexity of achieving the goal of labor market efficiency was not fully appreciated when MDTA was formulated, and many issues that have become more pressing in recent years, such as equal opportunity, the quality of work, and the transition of youth from school to work, were insufficiently addressed in the early manpower policy.

To a considerable degree, the success of stimulative economic policies during the 1960s helped sharpen the focus on manpower problems. As labor markets tightened between 1965 and 1969, reducing the aggregate unemployment rate, the emphasis of policy also shifted. There were

[1]For an analysis of the fiscal crisis in cities during the 1974-75 recession, Joint Economic Committee, "New York City's Financial Crisis", (November 3, 1975).

[2]Economic Report of the President, 1962: 47.

[3]A.M. Okun, ed., The Battle Against Unemployment (Norton, 1965), and W.G. Bowen and F.H. Harbison, eds., Unemployment in a Prosperous Economy (Princeton University, 1965).

several developments with special reference to urban manpower problems.

First, the national economic expansion produced multiplier effects which helped reduce unemployment in many cities. Yet, the job market for semi-skilled workers in many cities was shrinking while the number of workers in need of such jobs was rising. These divergent trends indicated that the manpower problem in urban areas was not simply a mismatch of worker skills and the demands of job vacancies; the problem included elements of economic development and the need for job creation.

Second, many of those in need of training in urban areas had inadequate basic education. Public school systems in many cities failed to provide a quality education, and, as a result, many youth and young adults were unprepared for the skills training programs available under MDTA. Equally important, and damaging, the public schools were not preparing inner city youth adequately to obtain employment in many of the jobs that were expanding in the city. Some cities experienced gains in business service, health care, public administration, and research and development employment, while losing manufacturing jobs. But few from the inner city were prepared for the new job opportunities.

Third, the early manpower policy was implemented largely through established institutions, such as the public employment service and the public school systems. These institutions did not attract a sizeable number of the disadvantaged unemployed, especially those in the inner cities. No special effort was made to attract the disadvantaged into MDTA training courses before manpower policy was enlisted to serve in the "War on Poverty."

The redirection of manpower policy toward the problems of poverty occurred at the same time the national government turned attention to the civil rights crisis. The deterioration in the relative economic position of blacks, during the benign years of the 1950s, helped spark the demands for equal job opportunity which culminated in large scale demonstrations during 1962 and 1963. Although the Civil Rights Act of 1964 was the major policy initiative developed in response to the civil rights crisis, the war on poverty was designed to deal with some of the underlying causes. New institutions such as community action agencies, developed in the wake of the Economic Opportunity Act were added to the public agencies delivering manpower services in local communities. In addition, many community based organizations created during the civil rights crisis, or later, received government support for providing manpower services. By diversifying the manpower services delivery system manpower policy makers hoped to expand the delivery of services to minorities and the disadvantaged in urban areas. The service mix, however, was not restricted to skills training but included new, innovative services such as outreach, prevocational training, employability development, and job development. In fact, a close examination of the service mix would probably reveal a limited emphasis on skills training in many of the manpower programs beamed specifically toward inner city residents.

B. Emergence of Subemployment

A major development of the period was the increasing attention on job and income inadequacy rather than an exclusive concern with unemployment. The study of six cities sponsored by the Secretary of Labor in

1966 revealed gross disparities in both joblessness and the level of earnings among those in the inner city compared with other segments of urban areas and with the nation at large.[4] Importantly, the evidence showed that, when discouraged workers, low wage workers, and low income workers are added to the unemployed as measured by the standard definition, the disparities between the cities and other areas, and between certain demographic groups, were wider than the differential in reported unemployment rates.

Recent estimates of subemployment reveal the continuing problem of low earnings and intermittent employment in urban communities.[5] In March 1974, for example, 63.5 percent of the residents of metropolitan areas were subemployed, compared with 36.5 percent among nonmetropolitan residents. Moreover, the time trend in the employment and earnings inadequacy index shows much less cyclical fluctuation in the number of low earners than in the number of unemployed since 1968. As economic conditions improve, unemployment will decline in the cities as well as in other areas. The number of low wage earners, however, seems to remain relatively stable and is heavily concentrated among minorities.

C. Dual Labor Markets

Evaluation of the economic impact of manpower programs in urban areas led to serious questions about the efficacy of labor supply measures in improving the economic status of the disadvantaged. A group of young labor economists, led by Piore, Doeringer, and Harrison, developed a set of ideas which collectively emerged as the dual labor market hypothesis.[6] According to this view, there exist in urban areas two sets of jobs, primary and secondary, which differ in their wage levels, fringe benefits, working conditions, and opportunities for advancement. The disadvantaged unemployed, who are the object of manpower programs, are locked into the secondary jobs and unable to penetrate the primary sector even after completing a manpower program. Dual labor market theorists explain the lack of occupational mobility, in part, by the behavioral characteristics of the disadvantaged. Institutional barriers, such as race and sex discrimination and trade union rules, are also emphasized as factors limiting access to good jobs. An important policy implication of the DLM hypothesis is that not enough good jobs exist, especially in the inner cities. The recommendation that most often follows is that manpower policy should devote more attention to job creation, including public service jobs for the disadvantaged.

The empirical foundation for the dual labor market hypothesis is a matter of debate, and some students of labor markets have questioned

[4]U.S. Department of Labor, "Subemployment in Six Cities," (A Report to the Secretary, November, 1966).

[5]S.A. Levitan and R. Taggart, "Do Our Statistics Measure the Real Labor Market Hardships?," (Paper presented to the American Statistical Association Annual Meeting, August 23, 1976).

[6]M. Piore and P. Doeringer, "Low Income Labor Markets and Urban Manpower Programs: A Critical Assessment," (Report to the Manpower Administration, January, 1969), and B. Harrison, Employment, Training, and Urban Ghetto, (Johns Hopkins, 1971).

both the rigidity of occupational mobility and the efficacy of public job creation as a remedial measure.[7] Nonetheless, there is ample evidence of low earnings among substantial segments of the urban population, and there seems to be little tendency toward narrowing differentials over time.

D. Focus on the Disadvantaged

A key feature in the manpower policy evolution during the past decade was the increasing emphasis on program services for the disadvantaged. Perhaps the best example of this was the formation of the NAB/JOBS program in 1968 in which the private sector was enlisted to "hire, train, and retain" the disadvantaged. The policy choice was also reflected in the operation of the Concentrated Employment Program, Work Incentive Program, and other manpower policy initiatives undertaken after 1966. Of course, the Neighborhood Youth Corps and the Job Corps are clearly focused on the disadvantaged segments of the youth market.

The NAB/JOBS program expanded job opportunities for many disadvantaged workers who, in the absence of the program, would not have been hired. Similar employment gains for the disadvantaged undoubtedly resulted from the job placement efforts of many community based organizations and community action agencies. While the evidence suggests that marginal employment gains were achieved by the disadvantaged worker, there were only limited gains in wage rates and annual earnings.[8]

One of the consequences of the heavy emphasis on services to the disadvantaged was that manpower programs took on the image of "welfare" programs. Similarly, manpower policy is often viewed today not as a set of goals and objectives broadly concerned with the development and utilization of human resources but as public policy directed toward problems of economic inequality. Certainly the reduction of income inequality is one of the goals of manpower policy, but there are other goals as well. One of the most difficult tasks in formulating a framework for the development of a national manpower policy will be to change its image to reflect, more broadly, the wider range of economic and social objectives that are involved in the development of human resources.

IV. LESSONS OF THE PAST DECADE

The economic and social developments of the past decade provide important lessons that may be useful in formulating a framework for national manpower policy today. First, there is general recognition

[7]Michael L. Wachter, "Primary and Secondary Labor Markets: A Critique of the Dual Approach," Brookings Papers on Economic Activity, 3: (1974): 637-693.

[8]C. Perry, B. Anderson, R. Rowan, and H. Northrup, The Impact of Government Manpower Programs, (Philadelphia, Industrial Research Unit, Wharton School, 1975): 186-201.

among a wide range of economists and public policy makers that full employment without inflation cannot be attained through macroeconomic stimulation alone. The worsening trade-off between unemployment and inflation has produced estimates as high as 6.0 percent for the full employment/unemployment rate. Skeptics of the Phillips curve deny the existence of any systematic relationship between joblessness and inflation, but there is little question that the experience of the past eight years has made the American public and most policy makers deeply concerned with the potential inflationary effects of measures to achieve full employment.

In contrast to the views which divided the structuralists and aggregate demand advocates a decade ago, there is increasing recognition among economists that stimulative policies and structural unemployment policies must work hand-in-hand. Although the inflationary threat of fiscal and monetary stimulus would not appear to be great at current levels of unemployment, the potential for quickly reaching bottlenecks in labor skills, as economic recovery proceeds, argues strongly for the expansion of job training and other remedial manpower policies as a companion to measures for accelerating economic growth. The new awareness of the compatibility of stimulative and labor market policies makes manpower policy far more significant than before in formulating efforts to achieve full employment.

Second, although the role of labor market policy in achieving full employment is now more fully appreciated, the nation's experience with social action programs has made many observers cautious about the potential benefits of manpower policy. Expenditures for employment and training programs increased tenfold during the decade, rising from $450 million in 1964 to about 4.4 billion in 1975. Despite the large impact on reducing structural unemployment or on increasing the low wage status of the disadvantaged.[9] Four major factors may help explain why the programs did not appear to be more successful.

1. There was a rapid proliferation of programs between 1964 and 1970 as the federal government attempted to meet a variety of different social and economic problems. The frequent change in program direction, administration, and purpose prevented the establishment of efficient management practices and administrative procedures for program planning, operation, and evaluation.

2. There was a rapid increase in the number of persons to be served. The baby boom generation entered the labor force and there was a substantial increase in female participation rates. Specifically, the number of youth age 16 to 24 in the labor force increased by 7.2 million, or 56.6 percent, between 1960 and 1970. Similarly, there was an increase of 8.4 million women (36.2 percent) in the labor force during the decade, and the female labor force participation rate

[9]A. M. Young, "Students, Graduates, and Dropouts in the Labor Market, October, 1975," Monthly Labor Review (June, 1976).

increased from 37.8 to 46.4 percent. Almost one million minority youth entered the labor force during this time, and, while their absolute numbers were not substantial in relation to the total growth of the workforce, they were heavily concentrated in urban areas experiencing a declining pool of semiskilled jobs. This influx of new workers and less skilled workers caused downward pressure on the relative wage rates of these groups, increased their relative unemployment rates, and easily swamped the manpower program capacities in most communities.

3. The programs were developed to target specific groups but were not well coordinated in the local communities, thus reducing their ability to meet the needs on the local level.

   In December, 1973, the Congress passed the Comprehensive Employment and Training Act (CETA) designed to shift much of the authority for manpower planning and program operation to state and local governments under broad national policy objectives. It is too soon to determine the effectiveness of CETA in improving the planning and coordination of manpower services, but the shift of authority to the local level may better serve the needs of the unemployed and the disadvantaged. As mentioned above, however, this constant flux in the structure of manpower programs does not ease the burden of administration.

4. Finally, although the remedial manpower programs were developed ostensibly to improve the employment prospects of the unemployed and underemployed, only a relatively small proportion of the program participants were in training programs which emphasized the development of marketable job skills. Between 1965 and 1972, only 20.3 percent of the 8.9 million enrollees were in MDTA institutional and on-the-job-training programs--the two programs which emphasized occupational skill training. Over half of all program participants were youth in the Neighborhood Youth Corps, a work experience program that provided little work, no training, and virtually no actual or potential experience useful in the labor market.

It would be wrong to conclude that remedial manpower programs failed; rather, the programs with the greatest chance to succeed were hardly tried and were not carefully targeted where the need was greatest. Nonetheless, the current environment of lowered expectations can be beneficial for the policy formulation process, if advocates of manpower policy use the reprieve to identify more realistic goals and objectives.

Third, because of the civil rights crisis and the women's liberation movement, the nation now has a deeper commitment to equal opportunity for minorities and women. Thus far, the evidence of progress in achieving this goal is mixed, but there is no doubt that continued efforts will be made to prevent discrimination and to widen the range of occupational choice for those previously denied access to stable, well-paying jobs.

This goal represents one of the most serious challenges for manpower policy in the years ahead. In the past, manpower policy was rarely used as a device for equalizing occupational and income opportunities by race and sex. Indeed, the operation of many manpower programs, through counseling, job training, and placement, might have contributed to a continuation of traditional occupational choices. Although the use of manpower policy as a tool for equalizing opportunity was not an explicit goal in the past, there will be new demands on such policies to produce equalizing results in the years ahead.

Finally, the continuously changing role of the city within metropolitan areas poses a serious challenge for manpower policy. The traditional role of the city as an area of transition for the disadvantaged moving from low to middle income status is unlikely to return. Instead, the cities are increasingly unable to meet the burdens of joblessness and dependency among many of their residents. Measures to increase the competitive position of Northeastern and Midwestern cities, both within their regions and between those regions and other sections of the nation, have not been successful. Cities such as Newark, Camden, St. Louis, and perhaps Cleveland have little reason to be hopeful about their prospects in the immediate years ahead. Changing migration trends may reduce somewhat the press on services arising from low income population demands, but serious problems of unemployment and dependency among the disadvantaged are likely to continue.

A. Special Problem of Urban Youth

An especially troublesome aspect of the urban dilemma is the situation among young minorities in the inner cities. The current unemployment rate among young blacks, aged 16-19, is reported to be 40 percent; but if those not counted as members of the labor force are included, the rate would undoubtedly be much higher. Many of the youth in the late teen years are in school and seeking part time jobs, but many more are out of school and out of work. In October, 1975, for example, about 440,000 blacks, aged 16 to 24, were out of school and unemployed.[10]

Large scale and persistent joblessness denies many young, urban blacks the opportunity to acquire positive work habits and labor market experience necessary for making wise career choices and accumulating job security. Equally important, the failure of many youth to obtain the opportunity to work can lead toward antisocial attitudes and values. Yet, while public officials are aware of the problem and its potentially damaging consequences, there is no universally accepted solution in either manpower or other public policies.

V. SOME GOALS FOR URBAN MANPOWER POLICY

In approaching the framework of a national manpower policy the following issues deserve special attention.

1. The Income-Work Nexus. Without any doubt, there are many social needs that should be met, and many current and potential members of the labor force desire good jobs. Most

[10] Ibid.

Americans strongly support the work ethic and would agree with W. Willard Wirtz that "labor is not only a factor of production,--work is also an essential human value."[11]

Nonetheless, experience has clearly demonstrated the limitations on the capacity of many workers to make productive contributions to society while receiving wages that will permit their families to live in decency. Further, the changing structure of job opportunities in many urban areas suggests that the problem of low earnings will not be easily resolved in the years ahead. For this reason, it is necessary to shape manpower policy with close linkages to income maintenance policies so that work incentives are preserved, without imposing the current burdens of low family income and poverty.

At the present time, manpower policy provides limited income support for persons in the process of training. The WIN program allows continued payment of welfare benefits to persons completing training but placed in a job paying low entry level wages. The structure, benefits, and administration of the welfare system should be reformed, and one of the explicit goals should be to establish an income floor for all families, based on size. This should be done in concert with manpower policy in order to preserve the opportunity for low skilled workers to get a foothold in the world of work without consigning their families to a substandard existence. In a nation that prides itself on the work ethic, it is both unjust and immoral to tolerate the conditions experienced by the working poor.

2. Community Development and Manpower. The current, and prospective, trends in job and income opportunities in the major cities of the North and Midwest strongly suggest the need for more emphasis on community economic development. Public policies on housing, transportation, health care, and social services have significant manpower implications but are rarely directed specifically toward the achievement of manpower goals. Closer linkage between public policies for urban areas would help reduce structural unemployment while improving the quality of life in cities. At the very least, it would be desirable to require a "manpower impact" evaluation before any major public policies are implemented in urban communities.

Many creative and innovative ways might be found to combine job training and community economic development. Funds are currently available for housing rehabilitation, public works improvement, public education, and mass transportation. Unfortunately the employment and income benefits of such

[11] S. Wolfbein, ed., A Decade of Manpower Policy (Temple U., 1973): 5.

policies are often disproportionately distributed among high wage, experienced workers in the construction industry. Much more can be done to widen the distribution of job opportunities created through urban development policies so that more disadvantaged workers gain a significant benefit.

3. Diversity in Service Delivery. One of the major results of manpower policy during the past decade was the emergence of nontraditional, community based manpower service organizations. Often, these groups, such as the Opportunities Industrialization Centers, have deep roots in the community and can reach the disadvantaged unemployed more effectively than established government agencies. An explicit goal of manpower policy should be to continue the support and expansion of such groups as part of the nation's manpower delivery system.

   Standards of performance can, and should, be enforced; and community based organizations should be held accountable for their performance. It is only fair, however, that government agencies offering competing services be held to a similar standard of efficiency. In some cases, the nongovernment organizations, unfettered by long-held rules of procedure, may develop interesting and effective methods of service delivery that can be replicated by government agencies. The "yardstick" function can be one of the most important reasons for supporting non-government manpower organizations.

4. Financing Manpower Services. If manpower policy is to be more effective in dealing with urban employment problems, funds must be distributed more directly toward areas of the greatest need. The present fund allocation formula under CETA considers both local unemployment and levels of poverty. It appears, however, that unemployment variations are weighed more heavily than the incidence of low income in final allocation decisions.[12] It is likely that this bias in program funding works to the disadvantage of urban areas where employment and earnings problems are most pressing.

Unemployment rates are highly imperfect indicators of labor market hardship.[13] The concentration of unemployment among secondary family workers, youth in school, high wage workers seasonally jobless, and other workers voluntarily unemployed, may distort the meaning of high local unemployment rates. In order for manpower policy to be a more effective device for addressing the problems of income inadequacy as well as joblessness, the distribution of manpower funds must be based more heavily on family income variations.

[12]W. F. Mirengoff, The Impact of CETA: People, Programs, Places (National Academy of Sciences, 1976).

[13]J. L. Norwood, "Some Social Aspects of Unemployment," Paper presented to the National Conference on Social Welfare (June 14, 1976).

By increasing the relative importance of low earnings in the fund allocation formula, fewer demands might be made to distribute funds on the basis of such unemployment rates in subunits of metropolitan areas as the unemployment rate in the poverty sections of major cities. Serious administrative problems might arise in any attempt to fractionate established political units for fund allocation purposes. The new manpower policy under CETA should be given a chance to work in order to strengthen the capabilities of state and local government to deal with manpower problems. Within that framework, however, there is room for redirecting available funds to areas most in need.

VI. SUMMARY AND CONCLUSIONS

The experience of the past decade, and especially the economic difficulties during the last three years clearly demonstrate that demand management policies alone cannot solve the income and employment problems of urban communities. Indeed, the pattern of government induced spending and special tax advantages for capital investment may in fact exacerbate the problems of unemployment in some of the nation's cities. Manpower policy, working on the supply side of the market, has an increasingly important role to play if the nation is ever to reach full employment without inflation.

Yet, the specific role for manpower policy is not entirely clear. One of the necessary tasks at this time is to delineate the goals and objectives for human resource policy in relation to the pressing problems of urban communities. Although the road ahead is not clearly visible at this time, some signposts are available.

First, it seems obvious that manpower policy must be elevated to co-equal status with demand management policy in order to produce the maximum impact on labor supply and the functioning of labor markets. Bottlenecks in labor skills might be encountered at a far higher level of unemployment today than in past years. If economic recovery is to be maintained, labor productivity must be augmented through labor market policies.

Second, the issues of equal opportunity, decentralized decision-making, and community participation are more important today than when national manpower policy was developed in the early 1960s. These issues have much significance as policies directed toward urban areas. The standard of performance now is no longer "a job" for the unemployed, but a "good job" with a future for earnings gains. Minorities and women expect to improve their relative economic status and will look to manpower policy as one of the avenues for achieving that goal.

Third, the continuing economic malaise of many urban communities demands closer linkage between manpower policy and other public policies in the areas of housing, transportation, health care, and social services. On the one hand, it is important to determine in advance the potential impact on jobs and income of any policy developments in these areas. On the other hand, policy initiatives in these fields should be made with a specific view toward enhancing the development and utilization of human resources.

In the past, reference has often been made to the importance of housing improvements, or transportation systems, in broadening the access of urban residents to job opportunities. Unfortunately, such benefits are hard to demonstrate in many communities, especially benefits received by inner city residents. Much more can, and should, be done to develop a coherent urban policy in which manpower objectives are clearly specified and closely linked to other policies.

One of the major goals of manpower policy is to maximize the opportunities for individual choice in decisions concerning labor market participation. Few options are available to an inner city resident with limited basic education and poor job skills, facing a declining pool of stable, well paying jobs. Too often the only alternatives are prolonged unemployment, marginal, low-wage employment, or welfare dependency. Little comfort can be gained from the fact that the number of jobs may be expanding in the nearby suburban ring, or in far distant regions of the nation. Access to such jobs may be closed because of prohibitive personal costs or rigid institutional barriers.

Although manpower policy cannot be expected to deal with the myriad problems of community economic development, efforts to enhance the development and utilization of human resources must be more closely linked to other public policies designed to improve the quality of life in urban areas. The rationale for manpower policy is that government has an obligation to help those who cannot help themselves prepare for and acquire opportunities to make a productive contribution to society. In so doing, personal freedom is enlarged and economic progress assured. The task of raising the significance of manpower policy in strategies for urban development will be one of the most difficult challenges in the decade ahead.

IV. MANPOWER AND RURAL-URBAN BALANCE

A PAPER BY

F. RAY MARSHALL
CENTER FOR THE STUDY OF HUMAN RESOURCES
THE UNIVERSITY OF TEXAS AT AUSTIN

MANPOWER AND RURAL-URBAN BALANCE

by
F. Ray Marshall
Center for the Study of Human Resources
The University of Texas at Austin

I. INTRODUCTION

Rural development is significant for a number of reasons. The most important of these is the fact that many rural people need help. With about 27 percent of the population, nonmetropolitan areas have about 40 percent of the poor. These average figures conceal much more serious pockets of poverty. Most blacks, in the deep South metropolitan counties with 5,000 or more blacks, are still in poverty, despite some improvement, largely because of outmigration of poor blacks to the metropolitan North. In the South, 44 percent of nonmetropolitan blacks and 15 percent of whites were still below the poverty level in 1974. For the nation, the incidence of poverty in nonmetropolitan areas and central cities, 14.4 percent, was more than double that of suburbs (7.1 percent).

There were, however, significant differences between the urban and rural poor that have important implications for manpower. Most poor nonmetropolitan families are headed by men, whereas most metropolitan poor families are headed by women. The rural poor are more likely to be in two parent families with working heads, whereas the urban poor are likely to be handicapped by the absence of one parent, making it difficult for family heads to work. The urban poor family also is more likely to be on public assistance. Clearly, rural and urban poverty require different kinds of treatments.

Until the 1970s, unemployment tended to be lower in nonmetropolitan than metropolitan areas. But in the 1973-76 recession, unemployment was about the same in metro and nonmetro labor markets.

The official employment rate is not, however, a very effective measure of the looseness or tightness of rural or urban labor markets; it does not count part time workers who would like to work full time, discouraged workers who have quit looking for work, or those who work full time but earn less than poverty incomes. The subemployment rate, which measures these things, is shown in Table 1. The unemployment rate seriously understates the labor market problems of farm workers and rural blacks.

Even the official unemployment rate showed poverty areas to be particularly hard hit by the 1973-76 recession. Employment actually grew 1.8 percent outside poverty areas but declined by 11.3 percent in metro and 1.2 percent in nonmetro poverty areas.

The severity of rural problems is obscured by the fact that nonmetropolitan population and employment are growing relative to those

Table 1. MALE SUBEMPLOYMENT AND UNEMPLOYMENT RATES
UNITED STATES, 1970

	Unemployment		Subemployment		Subemployment/ Unemployment	
	Black	White	Black	White	Black	White
Rural Nonfarm	5.6%	4.1%	29.4%	9.6%	5.25%	1.71%
Rural Farm	2.0	4.7	33.1	11.1	16.55	2.36
Urban	6.5	3.6	14.6	6.3	2.25	1.75

SOURCE: Calculated from United States Census of Population, 1970.

Definition of Subemployment:

$$SUB = \frac{U + .10\,NP + MP}{EMP + .10NP}$$

EMP = Male civilian labor force
U = Official unemployed
NP = Male nonparticipants/discouraged workers
MP = Male heads of households in the work force with incomes below the poverty line.

of metropolitan areas. The nonmetropolitan population increased to 65.9 million in 1974, a growth rate of 5.0 percent since 1970 as contrasted with a growth rate of 3.6 percent for metropolitan areas during the same period.

Employment in nonmetropolitan areas grew 14.6 percent between 1970 and 1974 as contrasted with a growth of only 9.8 percent for metropolitan areas. The rural work force also is becoming more diversified. Manufacturing employment, which increased by 50 percent between 1962 and 1972, increased by only 18 percent between 1969 and 1972. The annual rate of decline in agricultural employment slowed from 4.9 percent in the 1960s to 1.9 percent between 1970 and 1975.

As a consequence of these changes in the economy, the metro-nonmetro income gaps have narrowed considerably, especially in the South (Table II).

The main reasons for the growth of population and employment in rural areas are:

1. Changing residential preferences. Polls consistently show that a majority of people who live in urban areas would prefer to live in rural places and small towns, while almost all rural residents prefer to stay where they are. However, the black preference for rural areas has been much weaker than that of whites.

2. Manufacturing employment is growing faster in nonmetro than in metro areas, even though the rate of growth during the 1970s has not been as high as it was in the 1960s.

3. Some growth areas are located in rural areas; these include coal mining areas, college and university towns, and places with recreational or retirement attractions.

A. Dimensions of Rural Population and Work Force

Manpower programs should be based on some understanding of the dimensions as well as the nature of rural populations and work forces. It is commonly assumed, for example, that farming is the main rural economic activity. The rural population is approximately 57 million, and less than nine million live on farms. The nonmetro work force is over 30 million, and less than four million work in agriculture. Moreover, only about one million people make a living working mainly in agriculture.

Actually, however, the farm-nonfarm distinction is becoming relatively less important. Most farm operators now receive most of their income from nonfarm sources, and many people do not reside on the farms and yet work in agriculture. Manpower programs should therefore be concerned with increasing the incomes of rural people whether or not they live on farms.

Table 2. FAMILY INCOME OF THE UNITED STATES BY REGION AND PLACE OF RESIDENCE IN 1973 DOLLARS: 1969 AND 1973

	Metropolitan		% Change	Non-Metropolitan		% Change	Total		% Change
	1969	1973	1969-73	1969	1973	1969-73	1969	1973	1969-73
South									
Median	11,101	11,967	7.8%	7,964	8,988	12.9%	9,593	10,580	10 3%
Mean	13,046	13,712	5.1%	9,322	10,473	12.3%	11,396	12,297	7.9%
% Mean of	90.5	94.6		87.7	89.3		86.2	90.4	
Non-South									
Median	12,919	13,189	2.1%	10,339	11,323	9.5%	12,318	12,656	2.7%
Mean	14,871	14,789	-0.1%	11,644	12,696	9.0%	14,038	14,228	1.4%
United States									
Median	12,528	12,844	2.5%	9,314	10,327	10.9%	11,518	12,044	4.6%
Mean	14,410	14,502	0.6%	10,630	11,730	10.3%	13,217	13,609	3.0%

*South is Census South.

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Non-Metropolitan Population: 1974 and 1970," U.S. Government Printing Office, Washington, D.C. 1975, pp. 106-107.

B. Manpower Programs

Manpower programs are designed to match people with jobs, both now and in the future. Functionally, there are a number of basic components of manpower policy:

1. Labor market information systems to provide workers with knowledge of jobs and employers with information about workers. Labor market information also is needed for planning and evaluation purposes.

2. Pre-employment and pre-training programs to prepare people for jobs or training programs. These programs provide counseling, recruitment, remedial education, and other services required to prepare people for jobs or training.

3. Training to acquire or improve job skills. Training may be either institutional (class room), or on-the-job, or some combination of the two. Most skills are best taught on the job, but the theoretical or academic aspects of jobs usually can be taught most effectively in institutional settings. Apprenticeship, generally regarded as the most effective form of skill training, ordinarily combines on-the-job and institutional training.

4. Public employment by local, state, and federal government agencies. Public employment creates jobs for people who are employed or who otherwise would not have jobs. Public employment may take several forms:

   a. Public service employment (PSE) usually results from subsidies to governments to hire unemployed workers to perform public services, such as police, fire, sanitation, maintenance, etc.

   b. Employment projects (also called works projects or work experience programs) are designed to put particular groups (unemployed, youths, welfare recipients, older workers, etc.) to work but not on regular public payrolls.

   c. Public works programs are designed to put the unemployed or other disadvantaged workers to work constructing or maintaining public facilities or otherwise rendering public services. Instead of being performed, public works usually are carried out by private contractors.

5. Measures to improve the operation of labor markets. A basic objective of manpower policy at the level of national economic policy has been to improve the operation of labor markets to achieve lower levels of unemployment with less inflation. This might be done by improving labor market information systems or facilitating the matching of workers with jobs. For example, measures may be taken to move workers from labor surplus to labor shortage areas, or to improve the recruiting procedures of employers and the job search procedures of workers.

Similarly, public employment programs are the least inflationary way to reduce unemployment, because they operate directly on the labor markets in which the unemployed are located, rather than indirectly through other labor markets. According to studies by the Congressional Budget Office the creation by federal tax cuts of one job in the private sector costs between $17,000 and $21,000 and requires 24 months. When we contrast this with the cost of public service unemployment of approximately $2,600 and $3,550 for one job after 24 months, we can see that public service employment is one of the most cost-effective means by which to reduce unemployment.[1] Although public service employment is no panacea for the problems of unemployment, it certainly can do a great deal toward alleviating the problem. Monetary and fiscal policies, for example, are general measures to combat unemployment. They generate inflation in tight labor markets and do less than manpower (or specific) labor market policies to reduce unemployment directly in specific labor markets.

II. INADEQUATE PUBLIC SUPPORT FOR MANPOWER PROGRAMS

Manpower programs could be an important part of national economic policy. However, they will not play the role in the United States that they have in some other countries, mainly because manpower policy has not been perfected.

Lack of public support is due in part to the (1) resistance to increased appropriations of funds for social programs, (2) ideological and policy objections to specific labor market interventions, and (3) ineffectiveness and confusion accompanying the manpower programs of the 1960s, especially those provided for by the Manpower Development and Training Act of 1962 and Economic Opportunity Act of 1964.

The ideological and policy objections to manpower programs were a result of the view that competitive market forces and traditional monetary and fiscal policies could generate full employment and relatively stable prices. This philosophy has predominated among members of the Council of Economic Advisors through both Democratic and Republican administrations. Needless to say, the economic problems of the late 1960s and 1970s have demonstrated that traditional economic policies alone will not solve the inflation-unemployment problem and that manpower and public employment programs must be important components of national policy.

Manpower programs have been opposed by some because the programs of the 1960s did not seem to be very effective in reducing unemployment and poverty. In part, this seeming ineffectiveness was due to the relatively small size of manpower appropriations--the programs rarely affected more than 10 percent of the target populations. But the apparent ineffectiveness also was due to confusion about the role of manpower

[1]The National Council on Employment Policy, "How Much Unemployment Do We Need?" (Washington, D.C.: February, 1976).

policy. Except for the public employment components, manpower programs were never designed to have a major impact on the aggregate levels of unemployment and poverty; their main objective was to improve the operation of labor markets in order that other measures--especially economic development and monetary-fiscal policies--could reduce unemployment and poverty more effectively.

Because of the small scale of manpower programs relative to the effects of tax cuts and other monetary and fiscal policies, aggregate measures can easily obscure the specific benefits of manpower programs to the individuals who participate in them. Evaluation of manpower programs (admittedly imperfect) fairly consistently have shown that these programs improved the employment and income positions of those who participated in them and were cost-effective in terms of public expenditures. Moreover, some of the most important benefits of manpower programs are not quantifiable. For example, some of these programs, combined with anti-discrimination measures, changed the institutionalized pattern of racial discrimination, but attachment of monetary value to this important public policy goal is not possible. In addition, many blacks and other minority group members were provided good jobs and leadership experience while working with manpower and poverty programs.

The foregoing is not meant to deny the serious short-comings of the manpower programs of the 1960s. Too many of the programs lacked serious training content and were actually disguised income-maintenance programs. Much of the training was for jobs that did not exist, and categorical programs were too inflexible to fit local labor market conditions. There was also considerable waste, duplication, and inefficiency in the administration of manpower programs. There was general agreement among manpower experts that the programs needed to be decategorized and decentralized. There was less agreement over how this should be carried out and what the appropriate roles for federal, state, and local government and the public and private sectors should be. Despite the passage of the Comprehensive Employment and Training Act (CETA) of 1973, which replaced the MDTA and sought to decategorize and decentralize manpower programs, these issues remain largely unresolved. Much of the argument about the value of decentralization and decategorization will rest on the effectiveness of CETA in correcting some of the MDTA's problems.

III. THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

CETA decentralized programs by transferring responsibility from the federal government to local prime sponsors. Prime sponsors generally are local units of government with populations of 100,000 or more, or consortia of local units of government where at least one unit has a population of 100,000 or more. State governors are prime sponsors for the balance-of-state areas not covered by other prime sponsors. These prime sponsors appoint planning councils and have considerable flexibility in operating programs within the federal guidelines. The Department of Labor also retains categorical programs for such special groups as migrants, Indians, offenders, and youths. The Job Corps also is retained as a separate program under the control of the Department of Labor.

CETA's main provisions, other than these special programs, are Title I, which allocates funds to prime sponsors for comprehensive manpower programs, and Titles II and VI, which provide for public service employment. Under Title II, funds are allocated to areas of substantial unemployment (6.5 percent or more for three consecutive months) which have populations of at least 10,000. Title VI was created by the Special Unemployment Assistance Act of 1974 and allocates 50 percent of funds to all prime sponsors, 25 percent to those with unemployment of 4.5 percent or more, and 25 percent to areas of substantial unemployment.

Federal guidelines specify the target population to be served by CETA prime sponsors. These target populations, generally, are the economically disadvantaged, the unemployed, and the underemployed.

One can safely infer that the manpower system in general, and specifically in a rural area, has considerable potential as an important part of economic and social policy. However, this potential has not been realized, and the manpower system is still undergoing experimentation both in terms of program content and delivery systems.

IV. MANPOWER AND RURAL DEVELOPMENT

There is considerable disagreement over how best to undertake rural development. However, advocates of competing strategies all agree that manpower programs have an important role to play in whatever approach is attempted. For example, those who advocate relocating "surplus" people to "growth centers" would use relocation projects and improved labor market information systems to accomplish their objective. Some relocation advocates contend that relocation is a better strategy than attempting to develop rural areas which have very limited development potential.

Those who advocate rural development disagree with the relocation strategy on the grounds that very few people gain from relocation and that, from a social rather than a narrow individualistic view, relocation might be detrimental to both rural and urban areas; the rural areas lose some of their most productive people, who nevertheless might not be well equipped by training, education, or experience, for urban living or nonfarm jobs. Rural development advocates, therefore, place heavy emphasis on programs to improve the living conditions of people in rural and urban places. Urban places gain from rural development, because many urban problems have rural origins and because rural development relieves some of the pressure on urban places that is produced by rural-to-urban migration.

The total degree of effectiveness of manpower programs in rural areas cannot be determined, because all of the evidence is not in; but the available evidence supports the generalization that, although much has been done, manpower programs have not even approximated their potential as instruments of rural development. The rural manpower programs, most extensively implemented to-date, focus on the use of labor market information and training as adjuncts to industrialization.

Vocational and technical training programs have received considerable attention in the South, and many states have used the so-called "start-up" training concept as an adjunct to industrial development. The basic idea underlying this concept is sound in seeking to overcome joint industrial development and manpower problems. Manpower programs have been criticized for training people for non-existing jobs while employers often complain about both the shortage of skilled work forces in rural areas and the absence of information about the attitudes and skills of the workers who are there. At the same time, regional economists lament the predominance of low-wage marginal firms in the South's economy.

Start-up training meets all these criticisms as being a means of upgrading workers by training them for more highly skilled jobs and guaranteeing employers a supply of workers who meet their specifications. This is done by training workers for the jobs that open up well in advance of the opening of a new plant. Workers can be matched with jobs in some cases by using the prospective supervisors as trainers and training workers on the equipment to be installed in the new plants.

In practice, however, the start-up training concept has not always worked according to this rationale. The evidence does not demonstrate that start-up training has had much effect either on industrial location or on upgrading the skills of very low income workers. This is not because of any defect in the concept but is, mainly, a result of state industrial developers having been primarily responsive to the profit-maximizing decisions of private employers. There has been given no priority to training low wage workers or providing start-up training to employers who would locate in the areas bypassed by profit-maximizing enterprises.

Perhaps a more appropriate tactic would be to attach "start-up" training programs to community development corporations, cooperatives, or other organizations willing either to hire workers screened out by profit-maximizing firms or to locate in places bypassed by these firms.

The public employment service, through the Rural Manpower Service, has experimented with programs to extend manpower services to rural people, but these programs have not received high priority within the Department of Labor because of the latter's largely urban orientation and the urban bias in the formulas and procedures used to allocate manpower funds.

Allocation formulas and procedures have been detrimental to the South in general and to rural areas in particular. The heavy reliance on unemployment rates to allocate public service employment funds has caused the South to be shortchanged in these allocations. The South's proportion of funds under CETA allocations, however, has improved somewhat, as compared with allocations under the last year of MDTA.

The shortfall is evidenced in Table III. During the last year of MDTA (1973), for example, the South, with 45 percent of the nation's

Table 3. THE SOUTH'S SHARE OF MANPOWER PROGRAM AUTHORIZED ENROLLMENT POSITIONS AND FEDERAL FUNDS OBLIGATED, FISCAL YEAR 1973

	Authorized Enrollment Positions		Federal Funds Obligated	
	(In Thousands)	Percentage of U. S. Total	(In Thousands)	Percentage of U.S. Total
MDTA Institutional	33.4	28.7	60,408	19.9
MDTA: JOB-OJT	10.6	15.9	10,118	13.1
JOBS	12.1	36.6	20,648	28.3
NYC: In-School	37.7	33.9	25,677	40.1
NYC: Out-of-School	13.7	35.4	34,671	32.4
NYC: Summer	162.3	31.7	66,591	27.1
WIN	n.a.	n.a.	31,130	15.9
Operation Mainstream	12.8	39.6	25,593	31.6
Public Services Careers	n.a.	n.a.	5,245	17.1
PEP	n.a.	n.a.	191,493	15.5
CEP	n.a.	n.a.	31,657	24.3

n.a. = Not available

SOURCE: Computed from Manpower Report of the President, 1974, Appendix Tables F-2 and F-3, pp. 359-360.

poor, had 28.7 percent of authorized MDTA enrollments and received 19.9 percent of the obligated funds. Because of the heavy reliance on official unemployment rates, the South received only 15.5 percent of public employment funds under the Emergency Employment Act of 1971. The South received only 13.1 percent of MDTA's on-the-job training funds and 19.9 percent of institutional training allocations. However, the South received over 30 percent of Neighborhood Youth Corps allocations.

A similar pattern under CETA allocations for fiscal 1975 is observable in Table IV. Although the formula allocation of funds to prime sponsors caused the South to receive 27.5 percent of comprehensive manpower funds, it received only 11 percent of the regular public employment funds (based mainly on the rate of unemployment) and 19 percent of the special unemployment assistance funds (where less weight is given to unemployment). Clearly, the South in general, and rural areas in particular, receive smaller allocations of funds when official unemployment rates are used to allocate funds than they would if allocations were on another measure of need or on the basis of population.

CETA requires the Secretary of Labor to develop alternatives to the unemployment rate. To date, however, this has not been done. Rural areas and the South would benefit in the allocation of funds on the basis of any new measures incorporating certain of the features of the subemployment rate mentioned earlier.

The allocation formulas and procedures are not the only reasons rural areas have not received adequate manpower services. Rural areas suffer because they have few specialists to plan and administer manpower programs.

Another complicating factor is the unique character of rural labor markets, which does not allow for easy adoption of urban-designed programs to rural settings. As compared to urban places, rural labor markets have less structure and diversity. Rural labor market information systems are less formal--reliance is on informal and, most often, inaccurate word-of-mouth processes. Moreover, rural employers are likely to have fewer choices among workers; job-worker mismatches, therefore, are much more likely in rural areas. Finally, rural areas suffer from a relative absence of manpower institutions and training facilities.

As a result of these differences and the powerlessness of rural people, major urban labor market institutions have not done well in serving rural areas. Labor organizations, employment services, and help-wanted advertisements are mainly urban phenomena. This is nowhere better exemplified than in the case of the public employment service which, despite some innovative demonstration projects showing how services could be extended to rural areas, does not serve rural people very well. Indeed, the main rural employment services historically were provided by the Farm Labor Service, which discriminated against agricultural workers on racial grounds and refused to refer agricultural workers to nonfarm jobs. Although the Rural Manpower Service has attempted

Table 4. CETA ALLOCATIONS TO PRIME SPONSORS FOR THE UNITED STATES, THE SOUTH, AND SOUTH'S SHARE OF U. S., FISCAL YEAR 1975

Title	Amount (In Millions of Dollars) U. S.	South	Southern Allocations As a Percentage of The United States
Total	$2,401	587	24.5
I (Comprehensive Manpower Services)	$1,211	383	27.5
Public Service Employment:			
II	279	31	11.1
II, Discretionary	60	5	7.7
VI	782	150	19.2
VI, Discretionary	69	18	26.2

SOURCE: Computed from Bureau of National Affairs, Inc., Manpower Information Service pp. 71: 1011-1014, 71: 1051-1059, 71: 1061-1067, and 71: 1069-1073.

to correct the defects in the FLS since 1970, its procedures and practices of discrimination did not change fast enough to prevent a 1971 lawsuit against the Department of Labor which confirmed a pattern of discrimination and led to a court order designed to speed up the elimination of discriminatory past practices.

The Rural Manpower Service suffers from the urban bias of the employment service and the Department of Labor and lacks a strong rural constituency to insure that rural areas receive adequate attention in the allocation of manpower resources.

Indeed, in 1975, the RMS was dismantled by the Labor Department, and its functions were transferred to other agencies. As a consequence, this agency was lost as the only advocate for rural matters within the Department. A special position, Deputy Under Secretary of Labor for Rural Affairs, was created, presumably to perform this function, although it remains to be seen if this will preserve concern for rural matters within the Department. It is sufficiently difficult for rural matters to receive adequate attention from an urban-oriented agency at a time of serious budget constraints, even with the presence of strong internal advocates, but, with the lack of organization by rural workers and the invisibility of rural employment problems, the scope and span of attention quickly becomes limited.

V. INNOVATIVE PROGRAMS

Despite the inadequacies of past and present manpower programs in meeting rural needs, there are some promising developments which demonstrate how manpower programs could be used to promote rural development. Many of these efforts have been demonstrated by the Rural Manpower Service, whose immediate aim upon inception in 1971 was to use existing staff more effectively in providing "equity of access" to manpower services for all groups in rural areas. The RMS experimented with three pilot projects to improve the delivery of rural manpower services.

1. "Operation Hitchhike" attached manpower programs to existing rural institutions in order to reach scattered rural populations more effectively.

2. The Ottumwa Plan, or Area Concept Expansion (ACE) Program, linking central manpower service centers with feeder units reaching into the hinterland but drawing on the expertise of the central office, demonstrated an effective way of meeting some of the problems involved in delivering manpower services to thinly populated rural areas.

3. The National Migrant Worker Program was designed to make it possible for migrants to leave the migrant stream. To accomplish this, the NMWP demonstrated the means needed to remove migrants from the migrant stream.

In addition, the DOL has a number of ongoing rural manpower pilot projects. One of these is the Smaller Communities Program. Under this program, traveling teams of specialists carry manpower services into rural areas. Although training programs have not been very effective in rural areas, primarily because of inadequate training facilities, rural workers have participated in a number of regular manpower programs. In fiscal 1970, for example, 250,000 people in rural counties were enrolled in work experience and training programs. Most of these enrollees were in Neighborhood Youth Corps programs, which are valuable as vehicles for easing the rural-to-urban transition, since many rural youth will be migrating and will be in need of assistance.

Rural workers participated in a number of other manpower programs during fiscal 1970. About 14,000 trainees in 45 states participated in MDTA programs linked to economic development projects in chronic labor surplus areas. About 8,400 adult men were enrolled in Operation Mainstream (OM), designed to give meaningful work experience in public works to unemployed older workers. OM programs operated in every state except Delaware. Because it concentrated on meaningful work and did not threaten community power structures, Operation Mainstream seems to have been a fairly successful work program. However, it provided limited skill training and [illegible]ading opportunities and did little to get its participants absor[illegible] into private employment.

Another program designed speci[illegible]lly to help rural people is the Concerted Services in Training and Education (CSTE) project, which is defined as "a pilot effort to improve smaller communities and rural areas by demonstrating that education and occupational training, in conjunction with other economic development activities, can significantly help to increase employment opportunities." CSTE was suggested by a Cabinet-level rural development committee and organized by a 16-member task force. CSTE seeks to: develop means for concentrating interagency resources on the problems of people in selected communities; identify employment opportunities and occupational education programs for the human resource development programs to improve employment opportunities; and demonstrate the value of local involvement in human resource development programs. CSTE programs overcome traditional interagency rivalries by selecting, as program directors, respected local community people who represent no established government agency and who are thoroughly familiar with local conditions.

The basic assumptions underlying CSTE are:

1. Resources are available to promote rural development but there are few leaders with sufficient knowledge of those resources and what is required to bring them together to promote development.

2. It is therefore possible to produce development by selecting accepted leaders from rural areas and giving them information about the available resources and training in development. The CSTE programs have been

sufficiently successful in gaining acceptance by a number of states. Moreover, Congressman Alexander of Arkansas has introduced a bill to create a Concerted Services in Training and Education Task Force as part of the Rural Development Act of 1972.

An independent evaluation of CSTE at North Carolina State University found that the project had improved training opportunities, increased utilization of the public employment services, and developed additional job opportunities. Moreover, according to this evaluation, "this project is long in ideas and dedication of personnel, low on cost, with benefits that appear to be highly promising."

Rural governments also participated in the Public Service Careers (PSC) and Emergency Employment Act (EEA) programs, designed to open government jobs to the unemployed and disadvantaged. Since many government programs operate in rural areas, public employment offers considerable promise as a means of providing employment. However, these programs were limited because so few rural governments have merit systems (which were required for PSC participation) or personnel to administer the programs. Rural participation in Emergency Employment Act programs was limited because the allocation formula used in the EEA (the unemployment rate) discriminated against rural areas and because the framers of the EEA legislation were not sufficiently sensitive to the unique problems of rural areas. Rural areas did benefit from provisions which provided funds to Indians on reservations and to migrant workers.

The urban bias in public employment to 1973 is shown in Table V. Though the nonmetropolitan population constituted over 30 percent of the 1970 national population, this group which suffers a high degree of subemployment, received only 15.8 percent of the DOL monies allocated for public employment in 1972 and 14.4 percent in 1973. Only in the Operation Mainstream program did nonmetropolitan areas receive near parity to their percentage of the national population. In the largest single public employment program (PEP) the nonmetropolitan group received approximately 10 percent of DOL expenditures.

If restructured, however, public employment programs, together with an expansion of Operation Mainstream-type programs, could do much to provide employment to the unemployed and underemployed in rural areas, many of whom are not likely to be absorbed by private enterprise unless economic expansion is much greater than is likely in the absence of intense inflation.

VI. MIGRATION AND RELOCATION

As noted earlier, many economic development experts believe that migration is the most effective remedy for the problems of labor surplus in depressed rural areas. Migration is necessary, according to this view, because continuing technological change in agriculture reduces jobs faster than industrialization creates them. There has, therefore,

Table 5. PERCENTAGE OF DEPARTMENT OF LABOR PUBLIC EMPLOYMENT PROGRAM OUTLAYS EXPENDED IN NON-METROPOLITAN AREAS BY PROGRAM: 1972 AND 1973

Program	Fiscal Year 1972	Fiscal Year 1973
Total Department of Labor Public Employment Programs	15.8	14.4
U.S. Non-metropolitan Population as a percentage of total U.S. population (1970)	31.6	31.6
Concentrated Employment Program (CEP)	9.4	10.2
Neighborhood Youth Corps (NYC)	25.9	27.6
Work Incentive Program (WIN)	6.1	6.4
MDTA Public Service Careers (PSC)	22.1	13.0
Operation Mainstream (OM)	48.3	54.5
Public Employment Program (PEP)	9.3	10.7

SOURCE: U. S. Department of Agriculture, Rural Development Service, Fifth Annual Report on Services to Rural America (Washington, D. C. : Rural Development Service Office, 1975): 58 and 65.

been substantial outmigration from rural areas, especially during periods of full employment in the national economy. Migration varies inversely with age, and the potential gains of the typical mover who remains in urban areas apparently outweigh the pecuniary costs of moving. However, some migrants suffer income losses when they move, causing many of them to return to rural areas.

VII. RELOCATION ASSISTANCE

Those who favor "growth center strategies" advocate programs to rationalize the labor market by moving people to these growth centers rather than leaving workers free to migrate to congested urban areas.

As a result of this reasoning, the MDTA provided for a number of relocation assistance projects which provide us some insight into the effectiveness of this strategy. Between 1965 and 1969, these relocation projects, after screening 40,000 eligible workers, assisted some 14,000 in actual moves.

The success required of the program would be determined by whether the movers (1) remained in the new locations and (2) improved their conditions there.

DOL reported that only 20 percent returned home two months after the move, with 20 percent of those remaining changing jobs during the first two months. However, an independent examination found that about one third of the movers returned to the point of origin within 60 days, with only one third to one fifth remaining with their original jobs. DOL reported an improvement in job retention from 70 percent in 1965 to 88 percent in 1968. However, the success of relocation clearly depended on economic conditions in the receiving areas. During the 1970-1971 period, for example, many of those who had been "successfully" placed lost their jobs.

There seems to be general agreement that the results were favorable for those who did remain in their new locations, where their employment was more stable and their earnings higher than control groups who remained behind. Relocation costs for those who remained in their new location were soon recouped, but it is doubtful that the gains for those who remained were sufficient to offset the costs, especially when the costs of those who returned home are included in the total. Skilled workers had a higher propensity to move than others and were more likely to stay with their new jobs. Unskilled workers were less likely to participate in the programs and to find jobs when they did participate.

The projects' main influence probably was to affect the timing and destination of the moves. In unaided moves, kinship and ethnic patterns are apparently more important a determining factor than economic opportunity. Migrants tend to move to where others like them have already moved, increasing concentrations of low skilled workers where an over-supply already exists. The relocation projects increased the

economic rationality of the moves. Many of the demand areas showed remarkable ability to absorb workers with limited skills, although the most disadvantaged of the rural movers often had trouble finding and keeping jobs.

Despite their apparent success, however, relocation programs have characteristics which make them difficult to sell to policy makers. One of these is the difficulty in being certain that people who are assisted by these projects are not those who would have moved in any case. Why should scarce manpower money be used to support people who would move anyway? Also, it is not at all clear that rural inhabitants would gain more from relocation than they would from the location of marginal industries in their home areas. Finally, relocation projects also face opposition from public officials who are not desirous, for political reasons, of seeing their districts depopulated.

VIII. AGRICULTURAL MANPOWER PROGRAMS

Manpower programs also offer considerable promise as means of improving the skills of small farmers and agricultural workers. As noted earlier, few small farmers are likely to be able to make a living solely from agriculture. Manpower programs, therefore, could allow for small farmers to improve their earning power through training in such off-farm skills as welding, machine repair, and operating heavy equipment. These skills are useful in both farm and off-farm work. Both the Federation of Southern Cooperatives and the National Sharecroppers Fund have demonstrated the effectiveness of training small farmers in nonfarm skills.

Manpower programs can improve agricultural skills and incomes in other ways. Agricultural workers have had low earnings partly because of limited skills and the casual and seasonal nature of farm jobs. As farms become larger, there are more opportunities for regular employment and career ladders leading to more highly skilled higher paying jobs. Through training and rationalization of employment, manpower programs can enable agricultural workers to have higher paying and more regular employment. This can be done by restructuring jobs within an agricultural enterprise and by coordinating jobs between several agricultural employers and between farm and non-farm jobs. The Center for the Study of Human Resources at the University of Texas currently has a demonstration project to rationalize citrus employment in Texas. The Rural Economics Institute, a division of the Social Development Corporation, has a Farm Labor Demonstration Project in California designed to create career ladders in agriculture.[2]

Manpower programs also can be used to strengthen agricultural organizations. Cooperative leaders can benefit from manpower training and can later serve as operators of training programs--a bit of pump-priming. For example, the Manpower Administration of the U.S. Department of Labor has funded the Federation of Southern Cooperatives for this purpose and the Farmers Union was funded to administer the Green Thumb

[2]Patricia Marshall, "Moving Up Down On The Farm," Manpower. Volume 5, No. 5 (Washington, D.C.: U.S. Department of Labor, May, 1973).

program under Operation Mainstream.

IX. RURAL EMPLOYMENT OUTREACH

One of the most important manpower developments during the 1960s was the outreach concept to recruit and place people in training programs and jobs. This concept was based on the realization that it was not enough to announce that training programs or jobs were available to people who had been excluded by institutionalized patterns of discrimination. Positive efforts were required to reach out to these people. One of the most successful outreach efforts has been in apprenticeship programs which historically had barred blacks, other minorities, and women. The Workers Defense League (WDL) demonstrated the efficacy of this approach in New York City, and it, subsequently, has been applied very successfully by the WDL and other organizations elsewhere.

The essential ingredient of a successful outreach effort is a simple organization led by people who will be dedicated and yet flexible in the accomplishment of their objective. The apprenticeship outreach concept was based on a quid pro quo between the outreach program and apprenticeship authorities. The programs helped the apprenticeship system by recruiting and tutoring applicants who met the legitimate standards and qualifications imposed by the system. The outreach programs therefore gave the apprenticeship system an effective means of neutralizing some of the pressure for change as exerted by civil rights groups. In exchange for these benefits, apprenticeship authorities have cooperated with apprenticeship outreach organizations (AOP's) and accepted more blacks and other minorities than they probably would have otherwise. This concept also has been applied to journeymen in the construction industry and to black women in professional and technical jobs. Largely as a result of the AOP's, minority proportions of apprenticeship programs increased from about 6 percent in 1967 to over 18 percent today.

There are some examples of successful applications of the outreach concept to rural areas. For example, the Recruitment and Training Program (the successor to the WDL), the Federation of Southern Cooperatives, the International Union of Operating Engineers, the Laborers International Union, and other organizations have established a promising program to recruit, train, and place rural people in the Tennessee-Tombigbee Waterway Project in Mississippi and Alabama. Because of the poorly organized rural labor markets in the existing absence of such programs, employers are prone to recruit their work forces from urban areas, which are more structured and more familiar. This results in additional workers being imported into rural areas with already existing surpluses of labor. A rural-based organization can provide information about local workers who can be recruited and trained to fill many of the jobs on rural projects. Rural employment outreach might, therefore, relieve some of the inflationary wage pressures of tight urban labor markets and simultaneously reduce unemployment and subemployment in rural areas. The Tennessee-Tombigbee experience therefore provides a useful example of what could be an important national rural employment program.

X. CONCLUSIONS

As a part of a human resource development strategy, manpower policy can play an important role in rural development. There have been sufficient demonstration projects to indicate the potential of these programs in improving the skills and income of rural people and facilitating the operation of rural labor markets. More specifically:

1. Labor market information systems can promote rural development by providing workers better information about jobs and employers better information about potential workers. Better labor market information also can improve manpower and human resource planning and program evaluation.

2. Relocation programs can affect the timing and destination of movements between labor surplus areas, where jobs are not likely to be created, and labor shortage areas, where jobs are available.

3. A variety of training programs can be used to upgrade labor force skills and improve the attractiveness of rural areas to employers.

4. Training programs can be used to strengthen rural organizations.

5. Manpower and training programs can be used to rationalize agricultural labor markets and provide a more dependable supply of labor for agricultural employers and more regular and higher-paying jobs to agricultural workers.

6. Although not strictly a manpower program, the Concerted Services in Training and Education models have demonstrated the efficacy of trained coordinators as means of bringing the necessary resources together and forming the catalyst for rural development.

7. Rural employment outreach programs modeled on the Tennessee-Tombigbee project can provide jobs to subemployed rural workers and local labor supplies to employers.

8. Public employment programs can provide (a) jobs to rural workers who are not likely to be absorbed in the private sector and (b) needed public services to rural residents.

Unfortunately, the potentials of manpower policy have not been fully realized for a variety of reasons, including:

1. Manpower programs have an urban bias in program content, delivery mechanisms, and allocation formulas. Because

of the unique characteristics of rural labor markets, urban programs cannot be transferred unaltered to rural places. Some effective rural programs have been demonstrated, but these have not received sufficient governmental support.

2. Inadequate resources have been appropriated for manpower programs, and the use of the unemployment rate to allocate manpower funds has an urban bias. More properly, subemployment rates should be used for this purpose, or special appropriations or allocations of monies should be set aside for rural areas.

3. The planning and delivery of manpower services also has an urban bias. Urban places with population of at least 100,000 can be prime sponsors under CETA. Moreover, consortia containing at least one place with a population of 100,000 can be prime sponsors. Governors are prime sponsors for all other areas. These arrangements provide very little voice for rural people in manpower planning. Similarly, rural areas receive inadequate service from the employment service, which is restricted mainly to urban areas.

4. Finally, few rural governments or private organizations have much expertise in the planning or delivery of manpower services.

XI. RECOMMENDATIONS

1. Manpower authorities should develop an allocation formula for manpower funds that would be less biased against rural areas. Allocation formulas, based on the subemployment rate concept rather than the unemployment rate, would provide more realistic manpower program funding for rural areas.

2. There should be an independent Rural Manpower Service within the U.S. Department of Labor and within the governor's office in each state to serve in an advocacy role for rural concerns; to undertake demonstration projects; to serve as an information clearing house to support rural manpower programs national in scope; to provide technical assistance to state, local, and community manpower programs; and to develop innovative programs geared to the realities of rural problems.

3. The State Manpower Services Councils and the state governors should support programs which have exhibited considerable merit in alleviating the problems of rural people. Some of the most promising of these programs include:

a. Start-up training programs.

b. Rural employment outreach

c. Public service employment, including that conducted by private nongovernmental organizations whose objective is to provide employment to the disadvantaged who are not likely to be absorbed in the private sector.

4. Rural manpower service delivery organizations should be encouraged and developed. Such organizations might include cooperatives, community development corporations, labor organizations, community and civic organizations such as the North Carolina Manpower Development Corporation, the Recruitment and Training Program, Inc., and the Human Resources Development Institute, AFL-CIO.

5. Although most rural manpower programs should focus on rural nonfarm employment, the manpower needs of agriculture should not be ignored. Manpower programs should be encouraged to upgrade the farm and nonfarm skills of small farmers and agricultural workers.

6. Since better job opportunities are among the most important needs of rural people, special attention should be given to relationships between manpower programs and economic development. The "start-up" training concept is in this category. Other programs include the use of rural development coordinators to identify development opportunities and draw together the necessary and sufficient resources for economic development. Development plans should pay careful attention to development opportunities that can meet the multiple needs of rural people. For example, health care delivery programs, while providing medical services, have the spin-off benefit of creating new jobs and promoting community organization.

7. A much better information base for analyzing rural problems and planning rural manpower programs should be provided. The southern states, through the Southern Growth Policies Board, might provide the initiative for the establishment of a rural manpower data base and provide technical assistance to state and local agencies for data generation, interpretation, and dissemination.

V. MANPOWER POLICY FOR BALANCED ECONOMIC GROWTH

A PAPER BY

CHARLES C. KILLINGSWORTH
SCHOOL OF LABOR AND INDUSTRIAL RELATIONS
MICHIGAN STATE UNIVERSITY

MANPOWER POLICY FOR BALANCED ECONOMIC GROWTH

by
Charles C. Killingsworth
School of Labor and Industrial Relations
Michigan State University

The persistence of extremely high--and, recently, rising--levels of unemployment after eighteen months of recovery from the recent recession has stimulated interest in proposals for a stronger and more effective effort by the Federal government to achieve full employment. How best this goal can be achieved is one of the primary issues in the present national election campaign. It is probably a safe prediction that, no matter who wins the presidency, the debate over employment policy will continue in the new Congress--barring a rapid and sustained decline in the unemployment rate, which no one now expects.

Earlier this year, the prospects for passage of the Humphrey-Hawkins Full Employment Bill seemed excellent. But then a strong attack was launched on the alleged inflationary potential of this proposal, or indeed any proposal for reducing the reported unemployment rate as low as 3 or 4 percent. Many such comments, both from "liberal" and from "conservative" economists, have been widely publicized. Other economists have strongly disagreed with the repeated assertions that full employment would certainly cause ruinous inflation. But the national press has appeared to have no interest in publicizing the latter statements. This one-sided treatment of the issue has greatly reduced the momentum and support that the effort to guarantee full employment seemed to have earlier this year. We may hope that, when the passions generated by the national election have cooled, rational discussion of employment policy may be more feasible and that the national press may be less one-sided in its treatment of the issue.

It is virtually certain that the Humphrey-Hawkins Bill will be up for consideration again in the new Congress, although no doubt in a modified form. I believe that this measure provides a useful framework for the discussion of government policies to achieve full employment. Most of the basic issues that would arise in any government full employment program have already surfaced in the controversies that have swirled around the Humphrey-Hawkins proposal. Without necessarily accepting every detail of the proposed legislation that was introduced as the Humphrey-Hawkins Bill earlier this year, I will consider the merits of some of the major criticisms that have been directed against this legislation. We are surely going to launch new national policies to deal with excessive unemployment in the years ahead. It will be better to base these policies on dispassionate examination of the real issues involved in such an undertaking than to accept unquestioningly the largely unsupported assertions of national disaster resulting from adoption of the Humphrey-Hawkins proposals.

The thesis of this paper is that the predictions of disastrous inflation as a result of 3 or 4 percent unemployment lack support either in past experience or analysis. Such predictions rest, either implicitly or explicitly, on a controversial doctrine generally known as the "Phillips curve," which holds that low unemployment rates cause high inflation rates and high unemployment lowers inflation rates. To the extent that the Phillips curve doctrine rests upon analysis of past experience, that past experience is fundamentally different from the approach to full employment that is proposed in the Humphrey-Hawkins Bill. In the past, generally speaking, low unemployment rates have (arguably) resulted from the generalized pressure of aggregate demand. Usually, at least a part of the pressure of aggregate demand has been produced by fiscal and monetary policy. It is the reaction to that approach to full employment--general stimulation of aggregate demand--which the Phillips curve formulation purports to measure.

But our past experience does not include any period of low unemployment rates induced primarily, or even substantially, by the kinds of focused demand and supply improvement programs that are envisaged by the Humphrey-Hawkins Bill. There are persuasive reasons for believing that these specific kinds of programs would be much less inflationary than the generalized stimulation of aggregate demand which has been our primary, and nearly exclusive, weapon against excessive unemployment in recent decades.

Most or perhaps all of the economists who have made the alarming predictions of disastrous inflation as a result of full employment have assumed, either explicitly or implicitly, that full employment would be achieved primarily by generalized stimulation of aggregate demand. If we grant the validity of that assumption, then possibly the warning is justified. I say "possibly" because the Phillips curve analysis is not universally accepted, even by mainstream economists. But a judgment about the effect of the Humphrey-Hawkins Bill on inflation need not await a resolution of the Phillips curve controversy, which may be a long time in coming. Those who apply the Phillips curve analysis to the Humphrey-Hawkins Bill have misread that bill and have misunderstood the nature of the labor market problems to which it is addressed.

There is a role for fiscal policy in the Humphrey-Hawkins scheme. Even those economists who are most alarmed about inflation grant that the current unemployment rate of 7.9 percent (August, 1976) could be reduced significantly without adding to inflationary pressures. Most of the inflation warnings place the danger zone in the range of 5 to 6 percent unemployment. Hence, many economists see some room for further stimulation of aggregate demand, and the Humphrey-Hawkins Bill explicitly states that fiscal policy measures must be an important part of full employment policy. Since 1960, however, fiscal policy has come to be almost synonymous with "tax-cutting." I believe that this orientation of fiscal policy has led to unfortunate consequences and that the time has come to redirect fiscal policy. The Humphrey-Hawkins Bill provides the vehicle for such a redirection, although the details are not spelled out in the Bill.

Humphrey-Hawkins explicitly provides for a major role for Public Service Employment (PSE) in full employment policy. The bill also provides for increased emphasis on other labor market measures such as training, relocation, placement, and so on. It should be obvious that an expenditure of $10 billion (for example) on such programs with no offsetting tax or other budget changes would provide at least as much of an addition to aggregate demand as a tax cut of $10 billion. But the impact of these two approaches to demand stimulation would be quite different. An understanding of the differences is a key to the correct analysis of the potential impact of Humphrey-Hawkins on inflation.

In the first place, expenditures on PSE are much more cost-effective than tax cuts of equal magnitude in reducing unemployment. The Congressional Budget Office has prepared impact estimates of these two approaches to unemployment reduction.[1] The findings of this study imply that the net cost per job created by tax cuts after 24 months is in the range of $17,000 to $21,000. The findings also imply a net cost per PSE job after 24 months in the range of $2,600 to $3,500. In other words, dollars spent on a PSE program produce 5 to 8 times as many jobs as an equal number of dollars dedicated to tax-cutting. This is a fact of fundamental importance to the correct evaluation of the Humphrey-Hawkins proposals. Even if one allows for a substantial margin of error in the Congressional Budget Office estimates, the superior cost-effectiveness of the PSE program compared with tax-cutting is large and obvious. The lower cost per job means that many more jobs can be created with much less inflationary pressure by means of the PSE program than by tax-cutting.

In the second place, the purchasing power effects of a tax cut are generally diffused throughout the economy, and the job-creation effect is indirect and somewhat attenuated. When consumers and businesses find that they have to pay less money in taxes, they will spend more on goods and services. Some of this increased demand will be met by increasing hours of work for those already employed, some may be met out of inventories, and some may be met by increasing productivity. Only part of the increased demand will be met by the creation of new jobs. And the new jobs that are created almost certainly will not fit the skills and geographical distribution of the unemployed labor force.

In sharp contrast, the job-creation effect of the PSE program is direct and focused. (The "substitution" argument will be dealt with shortly.) Virtually all of the dollars in the PSE program are earmarked for payrolls. Eligibility requirements can be shaped in such a way as to insure that the hiring is concentrated among labor force groups and geographical areas where the unemployment rates are highest.

[1]Congressional Budget Office, Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives (Washington: Government Printing Office, 1975), Summary Table 1.

The PSE program is sometimes criticized on the ground that it enlarges government payrolls rather than private employment; but the charge is something less than half-true. It ignores the "multiplier" effect of adding people to payrolls, whether public or private. Those added to payrolls spend their earnings, and most of the spending is for goods and services produced in the private sector. To the extent that goods and services are produced in the geographical areas where they are purchased, this spending of PSE earnings helps further to relieve localized unemployment problems. Hence, the PSE program can be sharply focused on particular groups and areas; and, to some extent, the secondary spending resulting from PSE hiring will also be focused where unused capacity is likely to be greatest. In time, of course, the effects of PSE spending will be generally diffused through the economy; and a point generally overlooked is that most of the jobs indirectly created by the PSE program will be in the private sector.

The PSE program has recently been subjected to strong criticism on the ground that its effectiveness is greatly diminished by the so-called "substitution" effect. The charge is that money allocated to state and local governments for new hires under the PSE program will actually be used to avoid layoffs of present employees or to man programs that would otherwise have been undertaken with state and local funding. Members of the Council of Economic Advisors have repeatedly argued that "after three years only one or two net new jobs remain out of 10 supposedly created originally."[2] This assertion is said to be supported by several studies of the job-creating effects of the present PSE program. However, the fact is that none of the studies relied upon is based on direct observation of the PSE program. All of them are largely theoretical analyses of state and local expenditure patterns under other kinds of Federal grant programs, and the authors assume that the behavior of state and local governments will be the same under the PSE program. However, the fact is that none of the studies relied upon is based on direct observation of the PSE program.

As evidence, the studies on which the CEA and others rely are remarkably weak. One of the most careful and thorough of these studies ends with these words: "Clearly, far more analysis will be required before our numerical estimates can be taken as anything more than preliminary guides in the analysis of the practical problems we have examined."[3] Three of the authors of such studies have publicly conceded their weakness as evidence, saying that " . . . a set of estimates ranging from 40 to 90 percent is hardly a 'smoking gun.'"[4] Despite

[2]Paul W. MacAvoy, "Testimony to Joint Economic Committee", reported in New York Times (January 29, 1976). See also Paul W. MacAvoy, "Letter to the Editor", Ibid. (March 10, 1976).

[3]Orley Ashenfelter and Ronald Ehrenberg, "The Demand for Labor in the Public Sector," in D. S. Hamermesh, ed., Labor in the Public and Nonprofit Sectors (Princeton: Princeton University Press, 1975).

[4]George E. Johnson, Orley Ashenfelter, and Ronald Ehrenberg, "Letter to the Editor," New York Times (March 26, 1976).

these obvious weaknesses, these studies are frequently cited as indisputable fact--which is surely a disservice to rational discussion of an important issue in public policy. Furthermore, these critics usually ignore a significant corollary of the substitution hypothesis: if there is substitution, as alleged, the money does not simply vanish--it permits state and local tax reduction, or other purchases by state and local units which otherwise would not have been made, and the final effect on aggregate demand is at least as great as from a Federal tax cut, an increase in Federal spending,or a revenue sharing program.

A more general answer to the "substitution" argument is that it is based on the present administrative arrangements of the PSE program, under which the Federal government grants funds to state and local units of government with only rather general restrictions on the ways in which the funds may be spent. If substitution can be shown to be a significant problem, several remedies are readily available. The Federal government could take over the administration of some or all of the program; provision could be made for emphasis on specific projects which would not be carried out without a PSE program, instead of permitting the hiring of workers for the performance of ongoing functions of state and local governments; and greater emphasis could be placed on grants to nonprofit nongovernmental institutions. All of these would be possible under Humphrey-Hawkins.

The foregoing discussion is not intended to suggest that a PSE program is a panacea for unemployment, or that no problems of significance will ever arise in the administration of this kind of program. Rather, the argument is that increased reliance on PSE would be much less inflationary and more cost-effective than the tax-cutting version of fiscal policy. As I read the Humphrey-Hawkins Bill, it contemplates the continued use of conventional fiscal policy tools (including tax cuts) under appropriate circumstances; but it would broaden and shift the emphasis in employment policy to include more reliance on direct job creation, manpower training,and similar kinds of direct intervention in the labor market to achieve full employment.

Neither is the foregoing discussion intended to suggest that the inflation problem will disappear if the Humphrey-Hawkins Bill is enacted. My personal view is that recent inflationary pressures have not originated in the labor market, although some labor market institutions may have contributed, directly or indirectly, to the maintenance of the inflationary spiral. To the extent that inflation has resulted from energy and raw materials shortages, crop failures,and other developments unrelated to the state of the labor market, it will still be with us even if we are able to devise and install a non-inflationary full employment policy. I resist the dogma that unemployment and inflation are functionally related entities. Nevertheless, I am willing to concede some merit to the arguments of those who believe that the anti-inflation provisions of the Humphrey-Hawkins Bill should be expanded and strengthened. It is my understanding that amendments for that purpose are presently under active consideration.

Manpower training and related labor market programs deserve more extended attention than they can be given in a relatively brief paper.

Certain observations are essential. It has become fashionable to assert that manpower training has "failed." In two senses, this assertion is correct. Manpower training has never been a large enough program to have any significant effect on the general level of employment. Obviously, this is not an inherent shortcoming of this approach to labor market problems. Second, some particular programs have shown disappointing results--especially those directed at the most disadvantaged labor force groups or geographical areas. Neither of these facts justifies the generalization that manpower training and similar programs cannot contribute to a full employment policy.

In fact, the great majority of the careful studies of manpower training conclude that the monetary returns (to enrollees and to government) from such programs exceed their costs, sometimes by very wide margins. The number of studies with this kind of conclusion is not an impressive total. Nevertheless, some methodological purists have attacked the validity of these studies. Some of the studies are crude; but many of them, particularly those of more recent vintage, compare not unfavorably with other evaluation studies in the social sciences. Some of the purists seem to ignore the basic fact that investigations in the social sciences can only rarely, if ever, be carried out under conditions as carefully and precisely controlled as in--say--a chemistry laboratory. Some of the critics have concluded that methodological weaknesses in the manpower training cost-benefit studies compel the conclusion that the truth is exactly the opposite of what the studies report; the critics say that, since the studies fail to demonstrate conclusively that benefits exceed costs, we must all conclude that the costs exceed the benefits and, therefore, that the programs have failed. Merely stating that argument, I think, sufficiently exposes its fallacy.

I am fond of quoting the observation of Justice Holmes that "Certainty is generally illusion." In our daily lives, all of us constantly base decisions on reasonable probabilities rather than absolute certainty; and I believe that we must do the same in many areas of public policy, including manpower training. My conclusion is that the great preponderance of reasonably reliable evidence shows that most manpower programs improve the earnings and employment potential of their enrollees. I conclude further that we have consistently underutilized this tool in the past and that the Humphrey-Hawkins design would require greater emphasis on this particular tool as one of the many needed to achieve full employment.

Some of those who question or deny our ability to achieve full employment cite changes in the composition of the labor force in support of their view. George L. Perry of Brookings was perhaps the first to advance this line of argument.[5] More specifically, the argument runs as follows: The relative numbers of young people and women in the labor force have increased greatly in recent years; for various reasons, these groups have

[5]George L. Perry, "Changing Labor Markets and Inflation," Brookings Papers on Economic Activity (March, 1970): 411-41.

persistently high rates of unemployment; therefore, their presence in greater numbers makes lower rates of unemployment more difficult to achieve than in earlier years. Perry provided a mathematical demonstration, which may be described in simplified terms by saying that he applied the unemployment rates for specific age-sex groups in an earlier year to the same groups for the current year to illustrate the effect of changed age-sex composition. He found a relatively small but significant effect. His technique was followed (with enthusiasm, one surmises) by the Council of Economic Advisors two years after the publication of his original article. By using different years, the CEA was able to show that changing age-sex composition of the labor force has added approximately 0.5 percent to the unemployment rate in recent years. This has become one of the more durable fallacies in labor market discussions.

It is a fallacy because age and sex are only two of the relevant dimensions of the labor force. There are others of at least equal significance, and, when they are considered, it is clear that the effect described by Perry is more than offset. Thus, if education and race are added to Perry's formulas, the result is a substantial reduction in the unemployment rate in more recent years resulting from changes in the composition of the labor force.[6] In addition, there were several changes in the BLS-Census definitions of employment and unemployment in 1967 which had the net effect of reducing the reported unemployment rate by about 0.2 percent. Adding together all of these factors, we can conclude that definition changes and changes in the age-sex-race-education composition of the labor force have reduced the unemployment rate in recent years by about 0.7 percent. From this standpoint, and using Perry's reasoning, full employment is now somewhat more easily achieved than it would have been 20 years ago.

There is another major aspect to the argument that Humphrey-Hawkins is inflationary which I have not yet addressed. This is the contention that the so-called "prevailing wage" provisions in the Bill would themselves be highly inflationary, entirely apart from the overall effect of the legislation on the unemployment rate. Let me oversimplify a little by saying that the argument is that the wage provisions governing the PSE program would compel the payment of wage rates much higher than those now being paid on large numbers of jobs in the private sector and that these higher wage rates would create a powerful "suction effect," that would draw into the PSE program a large number of low-paid workers or would compel the upward adjustment of many wage rates in the private sector.

This line of argument deserves close attention, because it poses a question of social policy that is of fundamental importance. It also poses some factual questions, and perhaps it is best to deal with those first. The Humphrey-Hawkins wage rate standard which is likely to be most generally applicable, for public bodies, provides for "the prevailing

[6]Sonia Conly, "Education and Labor Market Tightness," Monthly Labor Review (October, 1974): 51-53.

rates of pay for persons employed in similar public occupations by the same employer." Hence, the requirement is for equal pay for equal work within the employing unit. Charles L. Schultze, among others, has asserted that this wage standard "is bound to be highly inflationary."[7] He states that the wage for a low-skill or semi-skilled municipal job is "often" far higher than the rate for the same job in private industry. He then predicts a mass exodus of workers from the low-pay jobs in private industry to the "last resort" jobs in the public sector, or a rapid rise in the wage scales for the low-level private industry jobs. Schultze cites median hourly wages for a few occupations in a handful of cities as a factual support for his generalizations. I do not think the data presented are conclusive. No doubt what he says is true of some occupations in some cities; but we need a much broader information base than he provides to make a confident judgment. I do not pretend to know, in advance, what further investigation will reveal. I would be surprised, however, if it turned out that most municipal governments (regardless of size and regardless of geographical area) pay higher wage rates than private industry for comparable jobs.

Let us assume, arguendo, that PSE hourly wage rates would be higher than for some significant percentage of jobs in private industry. The policy question which we must answer is, how much do we want to do for the working poor by means of the full employment program? My respected colleague, Sar Levitan, has criticized the Humphrey-Hawkins Bill for doing too little for the working poor; Schultze seems to criticize it for doing too much for them. I think the intention of the Bill is not clear and that we should make a conscious choice. It would not be difficult to find ways and means to exclude most of the working poor from the Humphrey-Hawkins programs, as I will show shortly. However, we could consciously choose to put at least some degree of pressure on the private sector to improve the worst jobs--to improve them both in terms of working conditions and wage rates. I doubt that the inflationary impact would be nearly as severe as Schultze fears. Even with a higher hourly rate available, some workers would choose to remain in the lower-paid jobs; one labor market phenomenon that has been documented by many studies is the long-run persistence of large pay differentials in the same labor market for comparable work. Some low-paid jobs in the personal service category would probably remain unfilled--for example, rest room attendants, domestic servants, shoeshiners--and people would simply do more for themselves. Some low-paid workers would be replaced by machines, as has been the case with many kinds of agricultural harvest labor. Perhaps, more generally, employers would learn to utilize the formerly low-paid workers more efficiently; one of the lessons of many studies is that when labor is cheap, it is often used wastefully, and vice versa. If we chose to follow this kind of social policy, of course the impact would depend partly on the speed of change. If we tried to remake the low-wage labor market in a very short period of time, the strains would be far greater than if we moved more slowly.

On the other hand, if we wished to exclude or drastically limit the

[7]Charles L. Schultze, "Testimony Before U.S. Senate Subcommittee on Unemployment, Poverty and Migratory Labor" (May 14, 1976) mimeographed: 8.

participation of the working poor in any PSE program, we could easily find ways to do so. The WPA program of the 1930s, and many job programs of the 1960s, limited the hours of work available to enrollees. The hourly rate, of course, is only one of the factors determining earnings; the other is hours worked. We could require equal pay for equal work but provide only 30 or 32 hours of work per week, thus considerably reducing the incentive for the job-changing that Schultze and others fear. We could require a substantial period of unemployment to establish eligibility for a PSE job. We could greatly increase the number of PSE jobs in the nonprofit sector, assuming that wage rates there are generally lower than in government. One lesson of the 1960s is that it is not difficult to exclude people from social programs, if that is what we choose to do.

Let me conclude on a personal note. Many people of my generation were attracted to the study of economics because we had lived through the Great Depression and we knew personally the soul-shrinking agony of endlessly looking for a job that did not exist. Many of us thought that economics had to provide the solution to mass unemployment. The revolutionary ideas of J.M. Keynes strengthened that hope. For a time in the 1940s, and perhaps for a briefer time in the 1960s, we thought that economics had finally solved the problem of achieving full employment and that we could even conquer the ancient curse of poverty. The early 1960s were the Golden Age of the economist; but the eminence was brief and the fall was rapid. For much of the past decade, economics--once called the dismal science--has become the frightened science. Economic forecasting has become a bad joke, and the influence of the profession on policy-making has greatly diminished--except, perhaps, when the advice is, don't do it. In the animal world, a frightened and confused creature often freezes into immobility. And we have had a virtual paralysis in employment policy in recent years, partly because almost every proposal has been greeted by cries of "Inflation!" from our frightened economists.

I refuse to believe that this nation has lost its adaptability and its capacity to learn from experience. As even its authors recognize, the Humphrey-Hawkins Bill is not perfect. If it is adopted, experience will reveal unsuspected problems that will need correction. But consider what happened under the Manpower Development and Training Act. Congress monitored that legislation closely. Major improvements in the law were enacted in every session of Congress, and the whole system was fundamentally revised after a dozen years of experience with the passage of the Comprehensive Employment and Training Act. But improvement is not possible if you never even start the program. The Humphrey-Hawkins Bill sets an ambitious--some would say a daring--goal. But large achievements seldom come from small ambitions. We have learned much about the difficulties of achieving full employment in the past decade. The Humphrey-Hawkins Bill builds upon that experience and calls upon us to renew our faith that full employment is attainable. If we reject the challenge without even trying, we insure bitterness and misery in millions of lives, and we edge closer to the fortress society. If we try and succeed, we will have less crime in the streets, less ignorance, less disease, less madness, more "simple justice," more strength as a nation, and more security for all of us.

c. Public service employment, including those conducted by private nongovernmental organizations whose objective is to provide employment to the disadvantaged who are not likely to be absorbed in the private sector.

4. Rural manpower service delivery organizations should be encouraged and developed. Such organizations might include cooperatives, community development corporations, labor organizations, community and civic organizations such as the North Carolina Manpower Development Corporation, the Recruitment and Training Program, Inc., and the Human Resources Development Institute, AFL-CIO.

5. Although most rural manpower programs should focus on rural nonfarm employment, the manpower needs of agriculture should not be ignored. Manpower programs should be encouraged to upgrade the farm and nonfarm skills of small farmers and agricultural workers.

6. Since better job opportunities are among the most important needs of rural people, special attention should be given to relationships between manpower programs and economic development. The "start-up" training concept is in this category. Other programs include the use of rural development coordinators to identify development opportunities and draw together the necessary and sufficient resources for economic development. Development plans should pay careful attention to development opportunities that can meet the multiple needs of rural people. For example, rural health care delivery programs, while providing medical services, have the spin-off benefit of creating new jobs and promoting community organization.

7. A much better information base for analyzing rural problems and planning rural manpower programs should be provided. The southern states, through the Southern Growth Policies Board, might provide the initiative for the establishment of a rural manpower data base and provide technical assistance to state and local agencies for data generation, interpretation, and dissemination.

VI. THE DILEMMAS OF RENEWING AN ACTIVE MANPOWER POLICY

REMARKS BY

BASIL J. WHITING
NATIONAL AFFAIRS DIVISION
THE FORD FOUNDATION

THE DILEMMAS OF RENEWING AN ACTIVE MANPOWER POLICY

by
Basil J. Whiting
National Affairs Division
The Ford Foundation

Transcript of unprepared remarks at a panel discussion, Central U.S. Regional Conference on Directions for National Manpower Policy, sponsored by the University of Missouri-Columbia, for the National Commission for Manpower Policy at St. Louis, October 7, 1976.

I don't consider myself to have the scholarly competence of a Bernie Anderson. Nor do I have the practical experience of John Bonner. I'm a generalist and, in contrast to their presentations, I would like to talk to you at a somewhat more general level and to share with you some reflections touched off by various aspects of our discussion this morning on the framework of a national manpower policy.

As I see it, we are faced with at least four and perhaps six dilemmas in considering how to conceptualize and re-activate the manpower policy we have been attempting to develop in this country since the early 1960s (or even earlier if one considers the Area Re-development Act). Implicitly or explicitly, my group's discussion touched on all of these.

The first dilemma is the familiar one of fragmentation. On the one hand there is the fragmented nature of our federal system with overlapping layers of government jurisdictions competing with each other and often jealously guarding their turf. On the other hand lies the fragmented, partial, willy-nilly tangle of social policies that has developed in this nation in an unsystematic and uncoordinated fashion. In both policy and in our structure of government we have evolved so many contradictions and counter forces that our approaches to reform in many social areas are almost tied in Gordian knots. The clearest example we have--and it is by no means the only one--is the problem we touched on this morning of how to articulate income maintenance policies with employment policies in ways that both preserve--or actually recreate--incentives to work while also providing a decent level of transfer payments to those who cannot reasonably be expected to work or who cannot be made able to work by active manpower policy instruments.

The second dilemma we face is how to resolve questions of priorities for attention. Examples of this dilemma are as easy to recite as they are hard to resolve. Our group agreed rather readily on the goal of "full employment" defined roughly as "a decent job for every individual who wants one and who is--or can be made to be--employable." But we shrank from the question of determining priorities during what must be a long, slow approach to that ideal goal. There is an enormous influx of youth and women into the labor market; and at one point we agreed that the top priority during an interim phase of developing full

employment should go to unemployed heads of households, be they male or female. In practical fact, however, this pushes women returning to work as secondary earners down the queue. If we cannot have everything we want at once, then such an unhappy choice is unavoidable. Later, and I think here at lunch, we've all agreed that top priority should be the disadvantaged, and especially racial minorities locked into the inner city ghettos--and especially among them unemployed youth who, lest they obtain good work habits early, will be yet another generation doomed to the secondary labor market and even underclass lives. This dilemma deepens when one considers that it is now almost impossible--indeed counter-productive--to mount a program overtly directed at minorities and the poor. We are told our society is tired of hearing about those groups and that arguing for such a priority is to doom the effort for lack of support. Can we find a rhetorical formula that will allow an active manpower policy to concentrate heavily, but not solely, upon such populations?

The third dilemma is the dilemma of the implicit policies existing in our present mélange of government programs and tax structures and the unintended consequences flowing therefrom. The classic cases here, of course, are the mortgage programs that built the suburbs and the highway programs that enabled business to leave the cities. Both have led to the ghettoization of the inner city and the flight of jobs to the new suburban developments.

The fourth dilemma is the dilemma of how to act at all. We seem to have lost the constituency for action in this nation. Too many people are convinced that government cannot produce what it promises and have turned off into apathy and privatism. This is nothing less than a "loss of nerve" on the domestic front, and in very large part it derives from certain of our intellectuals who have lost their faith in the very programs they argued for during the early Sixties. It does little good for social progress for the public to see prominent intellectuals turning on the programs they helped create and castegating them for "not working" after they have been in business for only a couple of years and have been grossly underfunded to boot. Bernie Anderson noted that the "War on Poverty" turned into a skirmish under the pressure of the other war in Vietnam. In my group we talked about the fact that it takes one or two years in the best of times just to get an organization together and operating well. An organizational infrastructure has to be built and it wasn't given time. Yet some of our intellectuals have concluded, erroneously I feel, that the Great Society programs did not work. The fact is that many of them did nonetheless work and worked quite well.

One result of such excessive criticism has been this loss of faith, this inability to gather a constituency for acting at all. An active manpower policy depends opon local social action programs rather heavily for the delivery of services, and with the constituency for social action immobilized by the alleged "failures of the Great Society" the potential for an active manpower policy as a way out of the Phillips Curve dilemma, which is our fifth dilemma, has had a great deal of trouble being articulated. I sense in this conference that manpower policy ad-

vocates are finally getting off the mat and mounting the kind of counter attack that is needed. Whether a sufficient constituency can be mobilized, in the present context of negativism, however, is another question.

Our final dilemma derives from the lack of "new" ideas in a society that does not think systematically about its problem. We normally make progress in ad hoc and incremental ways by promoting the highly promising "new" idea, of necessity over-selling a bit in the process, and piling it on top of older "new" ideas hoping that somehow the resulting edifice will be the structure we know we need but can't find a way of selling. But there don't seem to be many new "programmatic" ideas forthcoming nowadays. This may be because the wrong party is in power but from where I sit I don't see many new ideas anyway. And maybe there aren't any. We pretty well know the elements that would go into comprehensive national manpower policy but the problem of not having any more "new ideas" to carry us a step or two further throws us into the dilemma of mobilizing support for comprehensive and systematic policies.

Dilemmas like these can lead to a sense of despair and that is pretty much what one feels both in terms of a populace that will turn out to vote in the lowest numbers in our history in the forthcoming election and in terms of leaders who seem cowed by fear of inflation.

But this is no time for the faint-hearted and the way to begin is probably to do just what the Commission has tried to do in conferences like these. Surely the first step is to go to the roots of the society. If elites are not to be trusted, then those concerned with questions like employment policies must go directly to the people and their local representatives both to build understanding and to begin the task of constructing a constituency of concern that will once again allow an active national policy to be implemented.

One element in this approach, it seems to me, is to articulate again--indeed to concentrate heavily upon--the question of costs associated with not moving. I would like to see some double-entry social book-keeping. We hear time and time again of the multi-million, multi-billion dollar costs of programs in social policy arenas like ours and those allied to it. But what are the costs of not undertaking those programs? Those costs are being borne anyway every day in disrupted families, blighted lives, crime, health problems, lost productive capacity, and the gradual wearing away of the fabric of confidence in our society. We need some double-entry social book-keeping as part of re-building our constituency for action.

I think the National Manpower Policy Commission is to be commended for beginning this sort of approach. It sees its task as building a constituency of support for an active manpower policy, and has mounted these regional conferences as efforts towards that end. Finally, I must certainly agree with Bernie Anderson that the question is also one of leadership. If it is important to work directly with grassroots, then it is also important that leadership exist at the national level and that an articulation of purpose and confidence exist there as well.

VII. SHOULD FULL EMPLOYMENT BE A MAJOR NATIONAL GOAL

A SPEECH BY

CHARLES C. KILLINGSWORTH
SCHOOL OF LABOR AND INDUSTRIAL RELATIONS
MICHIGAN STATE UNIVERSITY

SHOULD FULL EMPLOYMENT BE A MAJOR NATIONAL GOAL?

by
Charles C. Killingsworth
School of Labor and Industrial Relations
Michigan State University

Tomorrow morning in Washington there is going to be an announcement of momentous significance. About 14 hours from now the Department of Labor is going to tell the waiting world what the new unemployment rate is. Part of its importance, of course, lies in the fact this will be the last unemployment figure announced prior to the election. I'm not going to tell you what the figure will be. I will make a prediction that I think is completely safe. Whatever the number is that they announce tomorrow morning, it will be the highest unemployment rate of the entire postwar period after 18 months of recovery. Now let me say that again. The number that will be announced tomorrow will be the highest unemployment rate that this country has experienced since World War II in the 18th month of a recovery from a recession. I say that in all seriousness because I think that the point is that the current economic recovery has done less to reduce the unemployment rate than any other recovery in our post-war experience. In a sense you could say that's why all of us are here tonight.

Let me make another prediction. No matter what the figure is tomorrow, no matter who wins the election, the search for a more adequate employment policy is going to continue to be one of the most important issues in this country. If Carter wins, then we can expect that the administration will take the lead in the search for a more adequate employment policy. If Mr. Ford wins, then Congress will probably take the initiative. But either way, there is going to be continuing discussion and quite possibly legislative action on employment policy in the years immediately ahead.

My assigned topic for this evening is so broad that I can wander almost in any direction. I would like to simplify the task and perhaps define my direction a little more precisely by rewording the topic as follows: Should full employment be a major national goal? Many of you would wonder if there is any point in arguing about that. It may come as a surprise to those of you that take this goal for granted, but there are a great many people who would answer that question with a resounding "no--full employment should not be a national goal." In fact, some of the statements that have been made during the past year by quite prominent and respected economists would lead you to believe that it would be nothing short of a national disaster to achieve full employment in this country. Some have actually used those terms. Full employment would be disastrous. Economics has been called a dismal science for a long time but rarely has that characterization been as justified as in the last couple of years. Of course I disagree. If you've read the background paper that I have prepared, you know that I disagree strenuously with that view. And I'm here tonight to tell

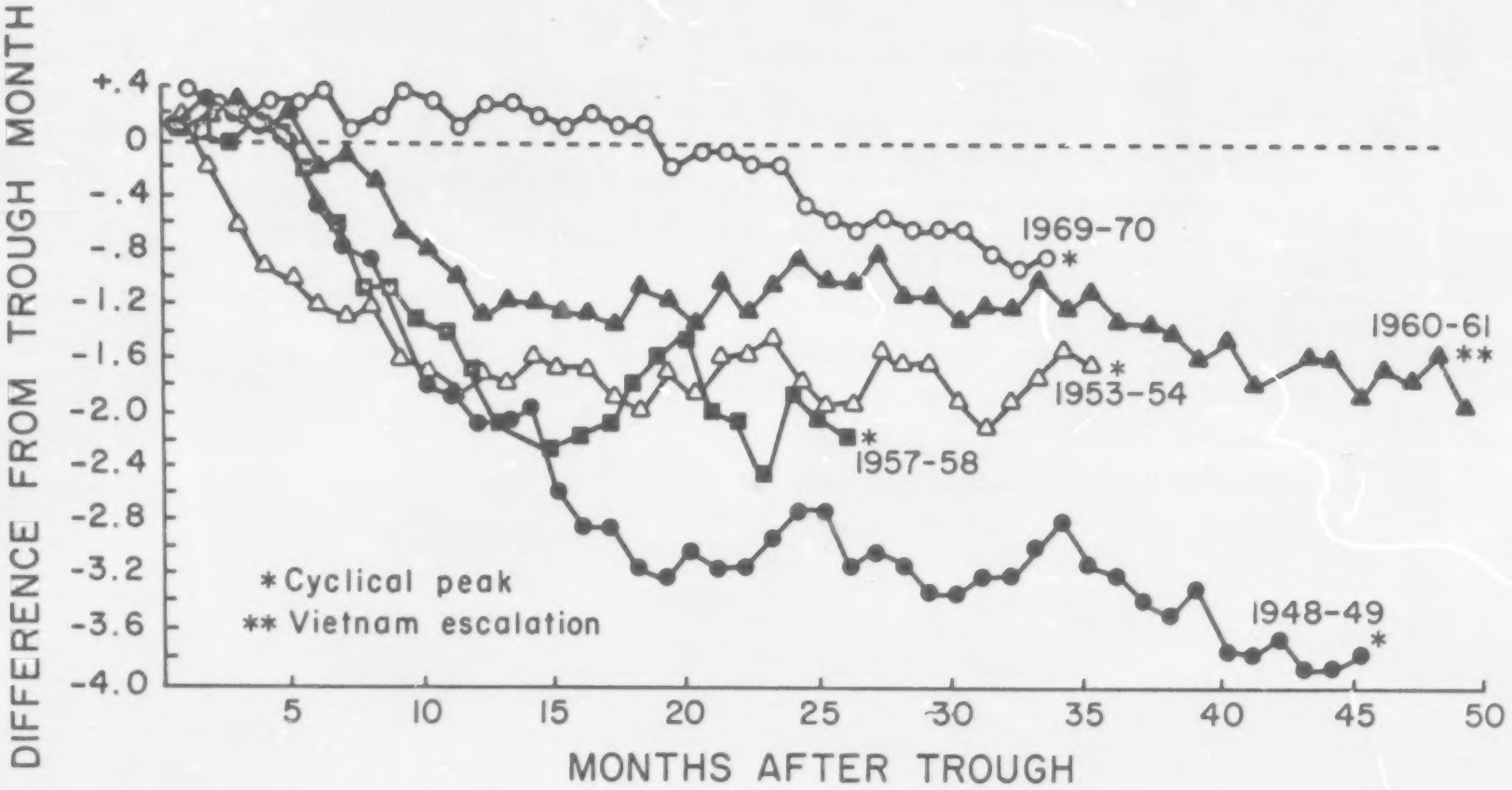
you why, in a few thousand well-chosen words.

Let me give you a bit of a road map so that you'll know where we are headed. First of all, I'd like to examine the development and the nature of the unemployment problem that we have in this country. Then I'd like to consider fairly briefly the outlook for unemployment, assuming that we don't have any change in current policy. Then I want to examine the instruments of employment policy and how they have operated in the recent past--in other words, what does our recent experience with these instruments tell us about their usefulness for the future? And then finally, I want to try to pull it all together by sketching-in fairly broadly the outlines of a set of policies that I believe could move us toward full employment without adding to inflationary pressures. That's quite an assignment for one evening, and I may not get all of this adequately accomplished, but I will try.

First of all, let's look at the unemployment problem. I take as my text the statement attributed to George Santayana to the effect that those who fail to understand the past are condemned to repeat it. This, of course, is the primary reason why I am interested in talking to you this evening about unemployment, not simply because of the general historical interest but because I want to try to identify some lessons from it. I'll take you back a quarter-century to show you the nature of the current unemployment problem. Now as I look around the room I see a few people that I think might remember that, during the final year or so of World War II, there was a lot of discussion of full employment. There was virtually unanimous agreement among the economists in the United States that with the end of the war we would face an enormous and intractable unemployment problem. They were dead wrong. This was an example that was to be repeated, I think, in employment problems. We did not have a disastrous rise in unemployment. We had a short-lived and moderate rise in the unemployment rate. Then the unemployment rate settled down to around 4 percent and stayed there for a substantial period of time. Interestingly enough, there were those in that period who complained mightily that 4 percent is much too high an unemployment rate for this country to tolerate, perhaps not really intolerable but falling short of our potential and also falling short of the goals of the Employment Act, which had been enacted in anticipation of this monstrous unemployment problem which failed to materialize.

Then came a recession in 1948-49, which caused a jump in the unemployment rate, to a little over 7 percent and a quick recovery with the unemployment rate declining. Now I've prepared a chart here to illustrate a point regarding the behavior of the unemployment rate during these recovery periods. What I have done is take as the starting point the unemployment rate in the trough month--that is, the turning point, the month in which according to the National Bureau of Economic Research the recession came to an end and the recovery period began. The chart shows monthly changes in the unemployment rate following the trough. The rate usually rises for a month or so after the turning point, and

CHANGES IN THE UNEMPLOYMENT RATE FOR THE CIVILIAN LABOR FORCE IN MONTHS FOLLOWING TROUGH OF FIVE POSTWAR RECESSIONS



then the unemployment rate slides down during the recovery period. As the economy goes up, of course, the unemployment rate goes down. And I've taken the reported unemployment rate in the officially designated trough month of the recession as the zero point and I've simply charted the changes in the unemployment rate for these months following the trough and through the whole cycle--in other words, to the point that the National Bureau of Economic Research designates as the peak month of the business cycle.

The chart shows that in 1948-49 there was a typical rise in the unemployment rate after the trough month and then a fairly rapid decline. I should point out that the recovery period was extended by the Korean War. We got into Korea late in 1950. We were fairly heavily engaged there in 1951 and 1952. But I would also point out that early in 1953 we disengaged in Korea. At that point we had an unemployment rate that was below 3 percent. We had an inflation rate that was close to zero, and we had no wars. In other words, we had full employment, stable prices, and peace--a situation which some people say has never existed in this country. This is a most intriguing year to study and a year that has been almost completely ignored in analysis of this problem of the relationships between full employment, inflation, and peace.

There is one comparison here that I want to emphasize. Eighteen months after the recovery had begun, the unemployment rate had declined by 3.2 percentage points from its trough level. We hit the peak of the cycle late in 1953, with the downturn reaching the trough about the middle of 1954. After the trough, at first the unemployment rate declined more rapidly in this second recovery period than it had in the previous one; but then it leveled out. One thing missing was the influence of the Korean War, but that was only one factor. There were other factors at work also, and the unemployment rate did not go below 4 percent during this recovery period. The next recession began in mid-1957, and the trough came in early 1958. During the recovery, the pattern of unemployment rate reduction looked about the same. There was one major difference, however; the unemployment rate had risen so high during this recession that the same general pattern of recovery gave us a prosperity unemployment rate of 5 percent. So you see we're moving from 3 percent to 4 percent to 5 percent. Then came a new recession in 1960 and a trough in early 1961. You can see that we were developing a pattern of feebler and feebler recoveries in the sense that each succeeding recovery does less to reduce the unemployment rate. Finally, on the line showing the 1969-70 recovery, you see that a recovery in the unemployment rate was virtually nonexistent for about 18 months. In other words, the other standard indexes of economic activity showed a fairly vigorous recovery, but unemployment remained at a fairly high level.

Now the most recent recession I do not have shown on this chart. One reason is that the cycle is not yet completed. We have not achieved a peak. The recovery is only 18 months old. I do have a reproduction

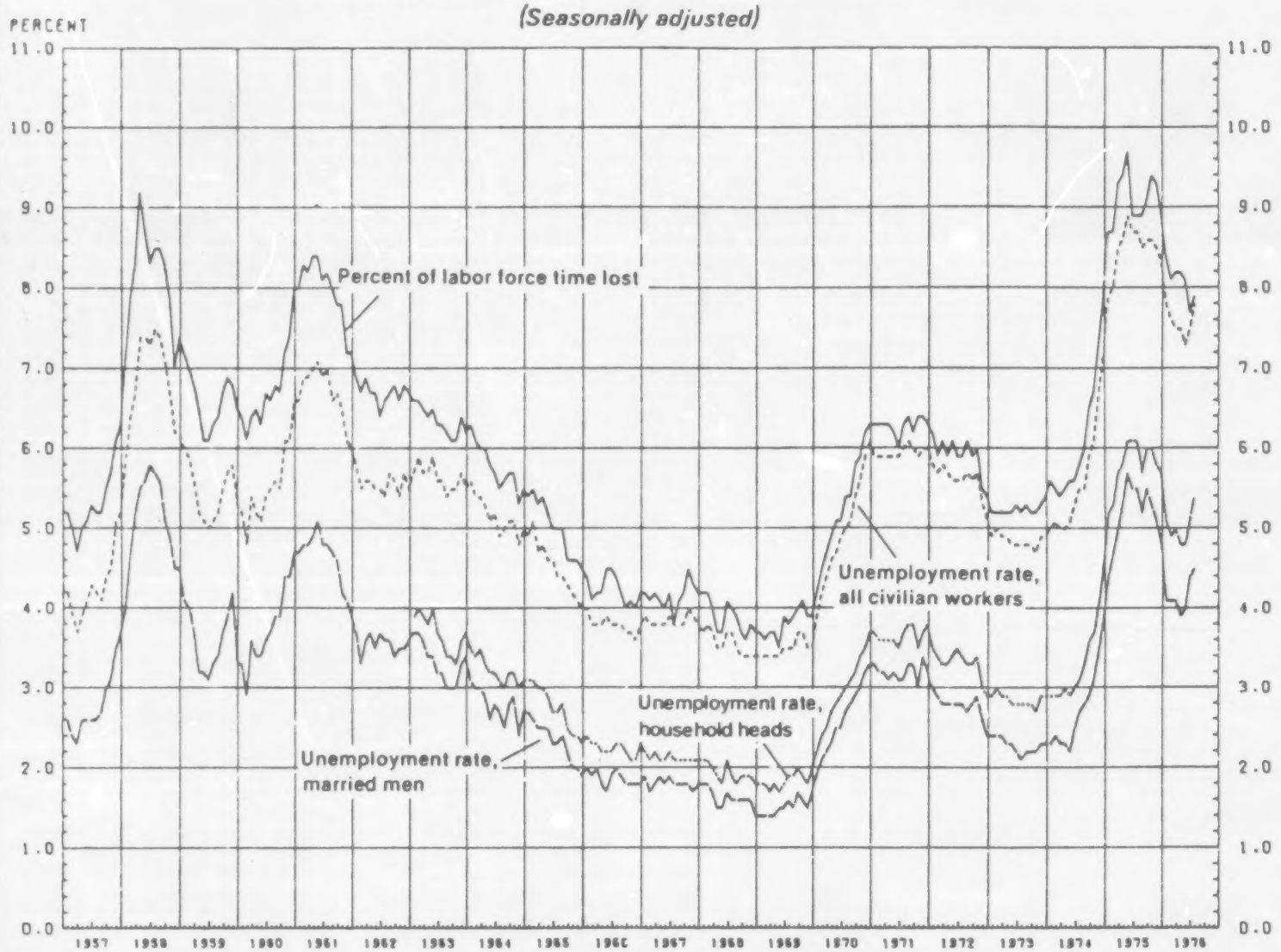
of a chart in the current issue of Employment and Earnings, a U.S. Department of Labor publication. Now there are a couple of things to note here. One is the very rapid rise in the reported unemployment rate in the current recession. Note the very high peak--far and away the highest of the postwar period. Of course, we do not know the full pattern of recovery, although we do know we've got this upturn of the unemployment rate in the most recent months. This rise in unemployment is unprecedented in our postwar history with the possible exception of late 1959, and the unemployment rate rose then because of an industry-wide steel strike which is unrelated to the recovery. So, taking that into account, you can say that this most recent three-month rise in the unemployment rate is without any precedent at all in our history. Another point that I want to emphasize is that the lowest rate of unemployment achieved in the current recovery is almost precisely equal to the highest rate of unemployment in any of the other postwar recessions. Did I communicate that? The lowest rate of recovery thusfar achieved in the recovery is equal to the highest rate of unemployment during any of the prior postwar recessions. Approximately 7.2 percent is the low point so far in the present recovery. The highest point in any of the previous recessions came in 1958 when the unemployment rate was at that level. (There was a one-month runup to a higher level in 1949, but that was caused by nationwide strikes.)

Now I wanted to make two major points with this chart talk. The first one is that, in the 1950s and the early 1960s, we clearly had a problem of creeping prosperity unemployment. It was a kind of stair-step development. It went from 3 percent to 4 percent, then to 5 percent, and then to something between 5 1/2 percent and 6 percent. There is no controversy about that. Each recovery period left us with a higher level of residual unemployment than we had had before. Then came the Vietnam interlude, which I'll return to in a moment. My second point moves into more controversial ground. The pre-Vietnam pattern, it seems to me, has now been firmly reestablished. We had a sharp rise in unemployment following Vietnam. The recovery of the unemployment in 1973 brought us down to a little below 5 percent. I don't know where we're going to settle down in the current recovery. Thus far the outlook is that it is going to be a long time before we are going to see a number less than 7 percent. That's a pretty big jump.

Now pardon me just a moment while I take time out for a small boast. Early in 1970, the unemployment rate had been rising for a couple of months and there was some concern in Congress. For a short time the unemployment rate, if you can imagine this, had been a little above 4 percent. That's what people were worried about. And so some hearings were called. Herbert Stein, who was then chairman of the Council of Economic Advisors, was quite reassuring. His diagnosis was that this rise quite obviously was nothing more than a transitional problem, and he said it would be most inappropriate to develop any kind of program or to react to this transitional problem, which would

Chart 2. Major unemployment indicators

(Seasonally adjusted)



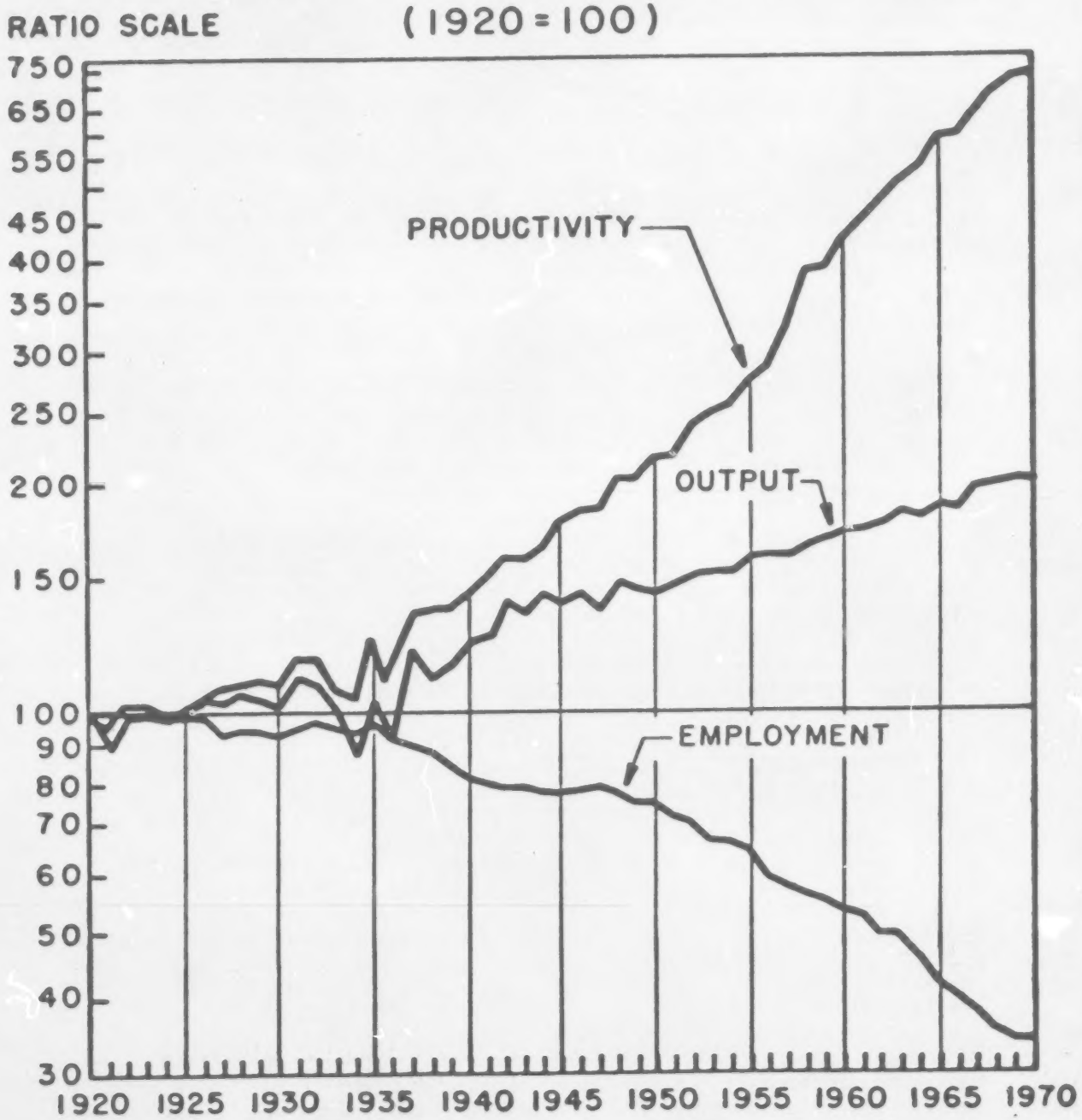
go away in a short period of time. At about the same time I was asked to testify. Since my testimony is on the record, I can demonstrate that my view in 1970 was that the rise in unemployment at that time was not a transitional problem or a transitory problem. I went a little further. I said that I felt confident that the unemployment rate would continue to rise from a little above 4 percent to at least 6 percent, that it would stay high, and that unless major new programs were developed we would have, late in the 1970s, even higher rates of unemployment. I argued in 1970 that the problems of the late 1950s and early 1960s had not been solved. They were merely postponed or masked by the effects of the Vietnam War and by some of the Great Society programs. I can make the point in another way. Here on the chart is the point where Stein and I disagreed about whether or not the unemployment problem was transitional; this was early in 1970. Here is the 6 percent rate of unemployment at the end of 1970. It did come down a little. I would argue that public service employment programs and other manpower efforts had something to do with that drop. But in any case the rate was not low for very long and here, of course, in 1975 and 1976 are the very much higher rates--and it does seem increasingly clear how persistent the high rates are.

Now a great many people find controversy distasteful, and it's perhaps most distasteful of all to have somebody say, "I told you so." However, when you've been a minority of one for a long time and then the facts become crystal clear and are strongly in your favor, I think you have a civic duty to tell the world.

So I say that we have an unemployment problem the characteristics of which have been developing fairly consistently for the past 25 years. We've had controversy, we've had competing diagnoses, but by now the facts should be clear enough for everybody to see. A dozen years ago structural unemployment was something of a term of derision. Today everybody is talking about structural unemployment--even a lot of people who don't seem to know really very much about what it is.

I would like to take a few minutes to give you my concept of structural unemployment. Of course I can't do it briefly with much more than simply an example--an example of what I see as some of the underlying causes of this creeping prosperity unemployment which has now reached something close to crisis proportions. My prime example is the case of agriculture. I'm sure you're all familiar with charts of this kind. These are indexes of productivity, output and employment in agriculture, and I've taken them all the way back to 1920. There wasn't a great deal of change in the relationships between these indexes in the 1920s. There was some change during the Great Depression. But the big changes in the rates of change came in the post-World War II period. What happened was that we had a technological revolution in agriculture. We had enormous productivity increases for a variety of reasons that are probably familiar to everybody in this room. We had much slower growth in the demand for output. So we had extreme increases in productivity combined with slow growth in output, and the inevitable result was a rapid decline in employment in agri-

INDEXES OF PRODUCTIVITY, OUTPUT AND EMPLOYMENT IN AGRICULTURE 1920 - 1970



culture. This is so familiar that a lot of people regard it as trite, and since it's trite it is unimportant, which is a great mistake. This is one of the most fundamental developments in the economy in the post-war period, because millions of people were forced off the land as a result of this agricultural revolution. Millions flooded into urban labor markets. These people were among the least educated and least skilled members of our society; so the competition for jobs at the lowest levels of the labor market intensified at a time when the number of such jobs was descreasing.

This is one of the prime sources of our problem of structural unemployment. Blacks were particularly affected because they were greatly overrepresented in agriculture in the South and because the revolution hit Southern agriculture first. The blacks were attracted in great numbers during World War II to the war jobs in the big cities of the North; they went to where the jobs were and settled where the jobs were; and then they were trapped when the market changed. This was a greatly distorted demand for labor that we had during the war. And so when we went back to a peacetime economy millions of blacks were trapped in the wrong places and they, their children, and their grandchildren are now in a desperate situation. I would certainly not say that the whole problem lies in agriculture, but this agricultural revolution which helped to induce this massive migration and a migration keyed to the big cities of the North goes a long way toward explaining the fact that the officially reported, national average unemployment rate for black teenagers today is 40 percent. Everybody knows that the official rate is a vast understatement. In the central cities the rate is far higher than 40 percent, but even taking it as a national average and spreading it all over the country, 40 percent is close to an incredible figure. I think in order to begin to understand it you have to look at this development.

Now this is simply an example of a major and fundamental change in the structure of the economy. There is a lot more to the story of structural change than just this, other things that should be described. For any kind of adequate treatment, you'd have to mention the great postwar decentralization of major American industries. It used to be that if you wanted to arbitrate in the steel industry you just went to Pittsburg and that was it. Now if you arbitrate in the steel industry, if you are in one of the major companies, you go all over the United States. The same is true for the automobile companies. When the auto companies began arbitrating, you did it in Michigan almost exclusively; but they've now spread out all over the country. There has been an overdebunked and underestimated phenomenon that I call automation that got a lot of attention in the 1950s. Several people made their reputation by proving how wrong some of the extremists were, Indeed, the extremists were wrong. Still, automation was not a myth. It was a factor that had some effect, I think, some effect that is still with us.

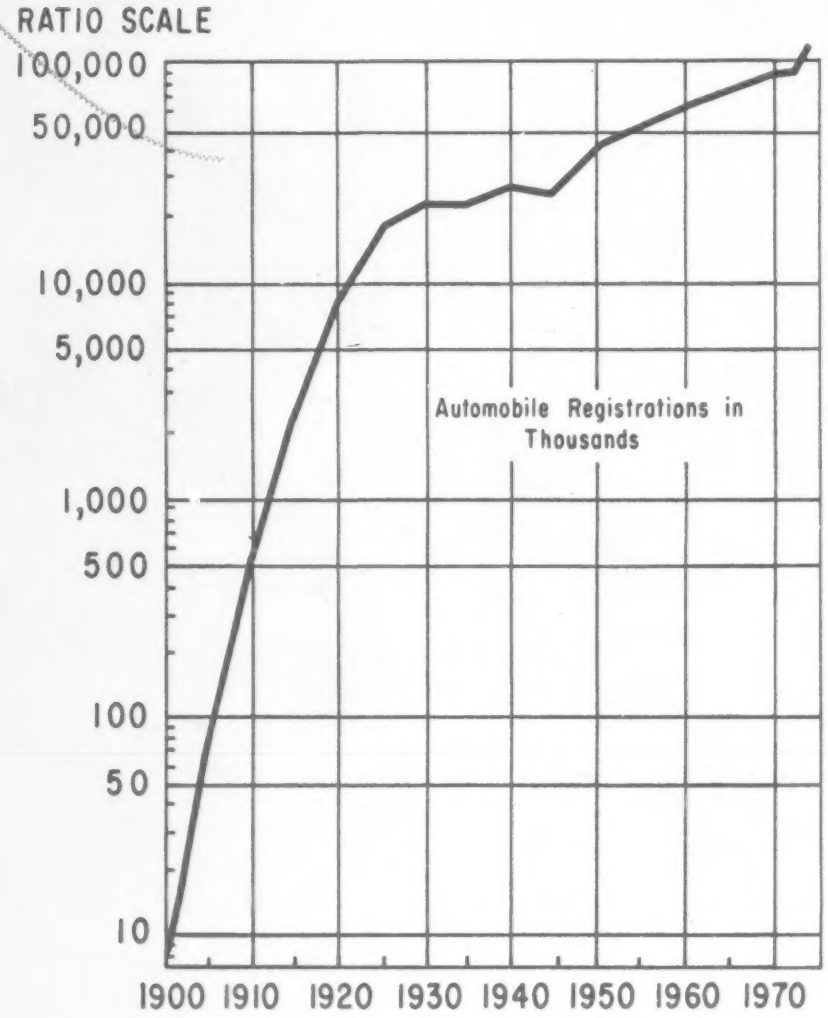
Now with regard to this kind of structural change, what lies ahead?

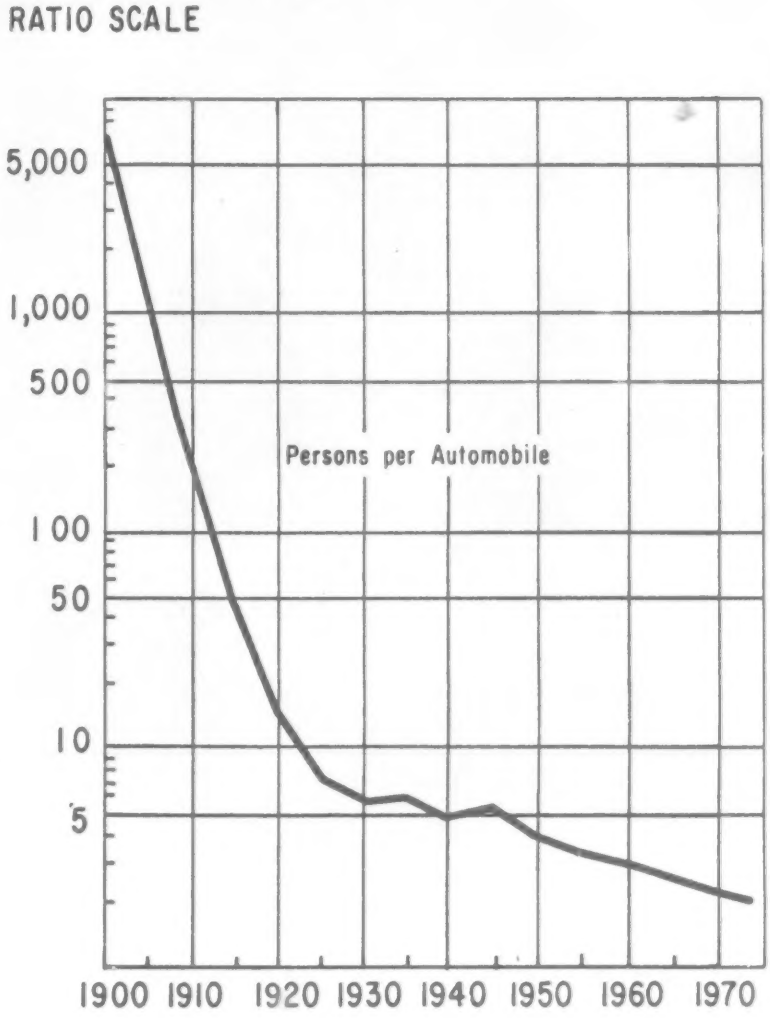
Again I have to limit myself to examples. The example I want to switch to now is the automobile industry--the great pride of the State of Michigan. And the point that I'm making with this twin pair of charts here is that the automobile industry had an early period of very rapid growth and that that period of very rapid growth is very obviously behind us for the simple reason that when you get to the point where there is one automobile for every two men, women, children, and infants in the United States, you're bumping pretty close to the ceiling. There are two-car families, there are even two-car individuals, I guess, but after you get the second or third car in the garage they get to be a much greater nuisance than anything else. And so the automobile industry is not going to grow at anything like the rate over the next 25 years that it has over the last 50 years. It is perfectly obvious from these relationships, I think, that it just isn't possible. One of the big factors in the recent negotiations between Ford and the UAW was an estimate by the UAW that, by 1990, the automobile industry would be producing 50 percent more cars than they're producing today and that the industry would be employing only 5 percent more workers. I think both of those estimates are probably overly optimistic. I don't think they are going to be producing 50 percent more units and if they're not they are probably not going to be employing 5 percent more people. They will be employing fewer people. This is like agriculture, where a respectable productivity growth rate and a slowing of the growth in demand for the product has resulted in declines in employment.

There are other important industries for which the prospects today are, if not downright gloomy, at best uncertain. Education is a prime case. As one who has spent most of his working time in education, I can testify that education today is a disaster area. There are more teachers unemployed today, or employed in jobs other than teaching, than at any time since the Great Depression. The prospect appears to be for a worsening, not an improvement of the situation. Health care has been a great growth area in the last 15 to 20 years and most particularly, of course, in the last five years. Employment in health care has been in low-skilled jobs, not the physicians and specialists with long years of training, but the semiskilled and low-skilled jobs have shown by far the greatest growth rate. So, if we are leveling off, and there are several indications of this, this is going to have an effect in the lower levels of the labor market. I don't think I need to do much more than simply mention construction. Conditions there are worse than they've been at any time since the Great Depression, and in some communities they are even worse. There are some people who see recovery around the corner almost every day, but somehow it never seems to arrive.

Now I want to emphasize that I'm not predicting massive unemployment on the scale of the 1930s. I think that there will be new growth industries and that those growth industries will increase the numbers of jobs available. But the essence of the structural problem is that when you get these new growth industries, they are usually not located in the areas where most of the unemployed people are, and the skills they require are not the skills of the unemployed. So we have an

AUTOMOBILE REGISTRATIONS AND PERSONS PER AUTOMOBILE IN THE UNITED STATES, 1900 - 1973





SOURCE: *Statistical Abstract of the U.S.*, and computations. Registration figures since 1930 include passenger cars and taxis; in prior years they also include busses.

enormous problem of matching up the new jobs with the people that are available in the places where they are available. Agriculture is, of course, an outstanding example of that kind of displacement problem. Now we're going to have some other examples of new jobs, new industries growing up and quite possible experiencing labor shortages, at the same time that we have great numbers of unemployed people without the skills that the new jobs require.

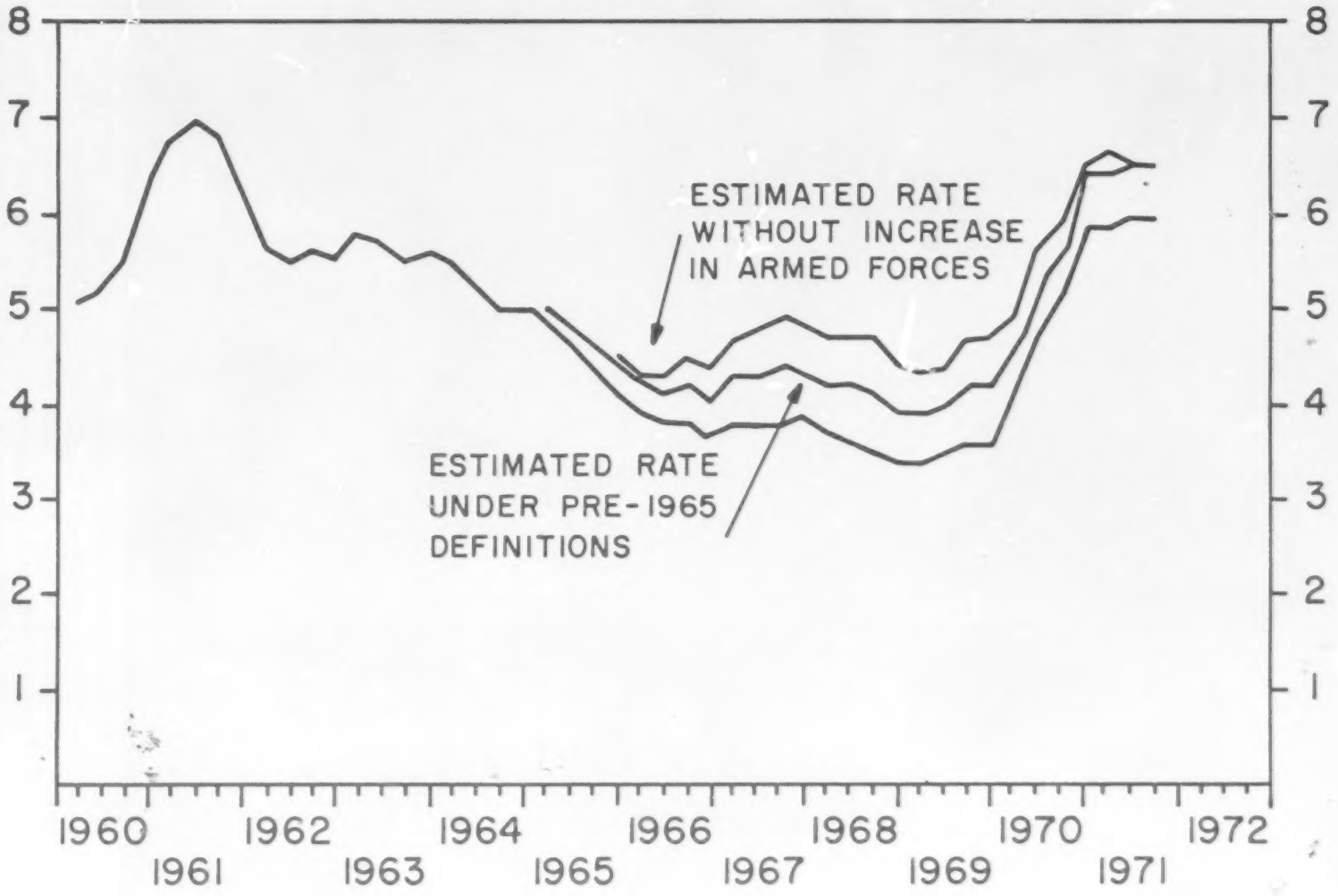
This, I think, is the basic challenge to employment policy in the decade ahead--to develop solutions to these problems of chronic structural unemployment. How can we do it? What are the instruments? Again I think that we must try to learn from experience. Again I have to warn you that the examination of the past is far from a peaceful occupation. There have been heated controversies in the past. I have been severely reprimanded by some of my colleagues for naming names and actually quoting things written by people 10 or 12 years ago, which is considered to be a terribly dirty trick when the man was dead wrong 12 years ago and merely quoting him today makes that perfectly obvious. So I am going to try to stay away from individuals. But I insist that we must try to learn from experience. We have tried several approaches, and given much more emphasis to some than to others. But we have experimented rather broadly in the last 15 years with ways of solving the unemployment problem.

I think that it is of supreme importance to examine that experience and to draw some lessons from it. That's what I propose to do. I am going to try to avoid excessive repetition of what I said in the background paper. Particularly if you disagree with what I say here, I urge you to read the fuller treatment. You may find even more to disagree with! I will run down the list of instruments of employment policy that we have experimented with and see what lessons we can draw from this experience. In the first place there is fiscal policy. In the original sense, that meant government spending and taxing policies. In the more recent past, in the last dozen years, I think fiscal policy has come to be virtually synonymous with tax cutting. We've had two great tests of the effectiveness of fiscal policy--interpreted as tax cutting--as a remedy for unemployment. One of them was in the early 1960s, the other was in the early 1970s. And again I say let's look at the record. Let's see what the evidence tells us about the efficacy of tax cutting as a solution for the unemployment problem.

Now this next chart takes us back to 1960. I spoke about the stairstep development of creeping prosperity unemployment, and the chart shows the 5 1/2 to 6 percent level that came to be discussed so extensively in 1961, 1962, and 1963. There was strong disagreement about the causes. There were those who argued that the whole problem was simply a growing deficiency over time in "aggregate demand," which means simply total spending by government, businesses, and individuals. This group concluded that to solve this problem of excessive unemployment, all that was necessary was to stimulate aggregate demand, and that the most feasible way--if not the best way--to stimulate aggregate demand was by means of a tax cut. There was another view expressed, I must confess mainly by me, but with some support from others at that time, that general stimulation of aggregate demand might do a part of the job of reducing unemployment, but that it could by no means do anything like

U.S. UNEMPLOYMENT RATE BY QUARTERS

All Workers, Age 16 and Older
1960 to 1971, Seasonally Adjusted



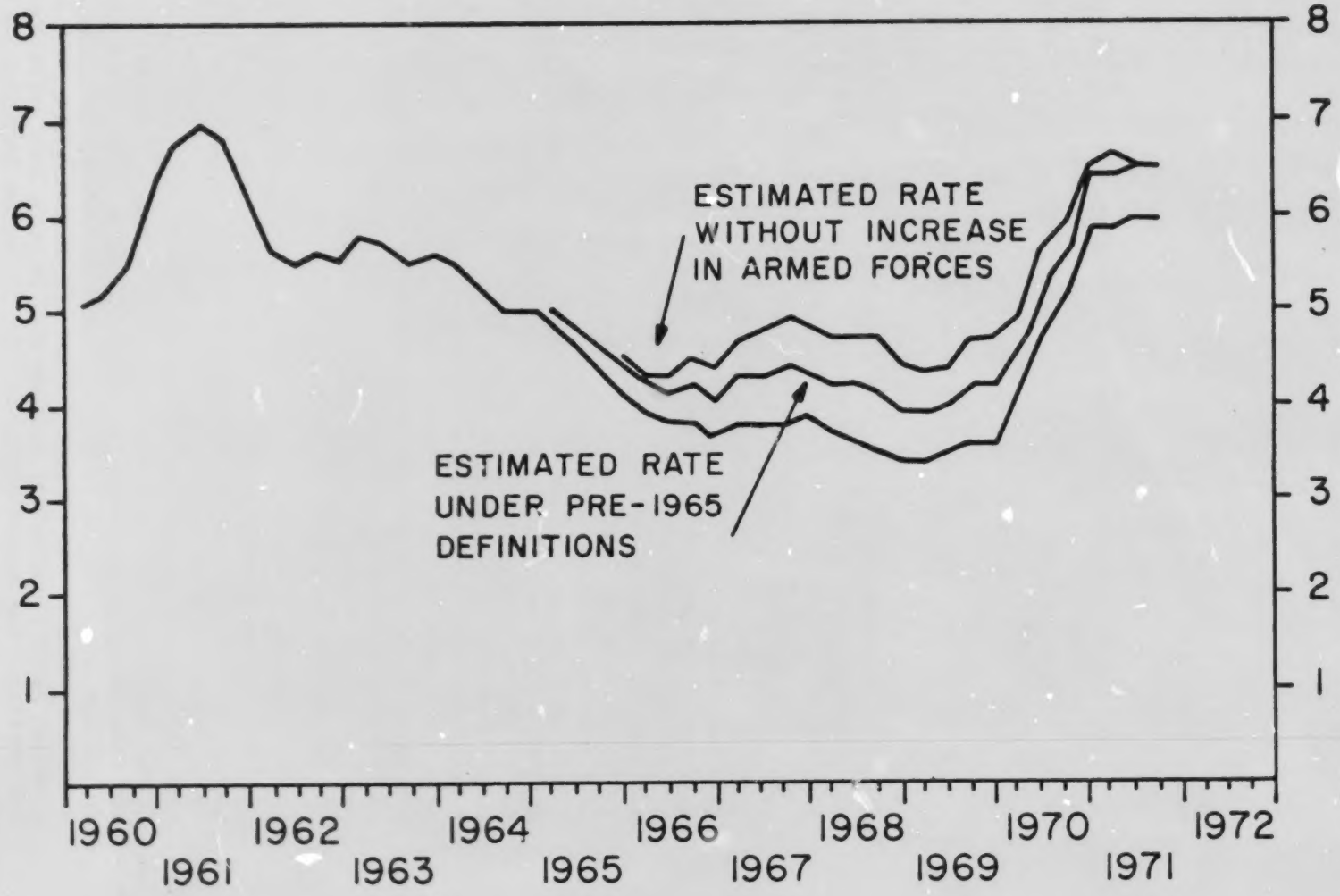
the full job. The prevalent view was that stimulation of aggregate demand would reduce the unemployment rate at least as low as 4 percent and when that rate was achieved it would be time to give some attention to remedies for structural problems. There really wasn't any point in fooling around with structural stuff, it was argued, before you got down to 4 percent. The other group argued that the aggregate demand approach by itself was not likely to reduce unemployment much below 5 percent and the structural remedies should be launched right away.

There is no question about who won the debate. We had a massive tax cut early in 1964. Then, of course, everybody waited for the results. The conventional wisdom on this was summed up by one eminent economist who wrote several years later that the history of the 1960s demonstrated that the American economy can reach unemployment rates of close to 3 percent through the use of simple fiscal and monetary policies. I heard no dissent at all from that analysis by any of those who had been involved in this controversy back in 1963 and 1964.

I want to make three observations of this analysis. The first one is that it involves an obvious logical fallacy. The unstated assumption is that only the tax cut affected the unemployment rate. I say that there were two other major factors and several minor factors which were totally unrelated to fiscal and monetary policy that had more effect on the unemployment rate than did the tax cuts. In the first place there were two sets of changes in the definitions of unemployment, one in 1965 and one in 1967. I used to get laughs by saying that the greatest unpublicized discovery of the Johnson Era in employment policy was that the quickest, surest, and cheapest way to reduce unemployment is simply to change the definition! These changes in definition in 1965 and 1967 reduced the reported unemployment rate a total of 7/10 of a percentage point by 1968 and 1969. The chart shows that effect. There was something else going on in the late sixties. There was a war on, and the war involved increasing the size of the armed forces by a million men. There were also some young men who discovered a burning thirst for a higher education as a result of the draft. Most, not all, of these draftees and sudden scholars came out of the labor force. It is possible to estimate somewhat laboriously, but I think fairly accurately, what the effect of that development was on the unemployment rate--about a half of a percentage point at the maximum. Of course that too varied a little, depending upon the numbers. So you add that on top of the definition changes as shown on the chart. And you see that, without these special factors, the unemployment rate would not have gone much below 5 percent in the late 1960s. In fact, it can be demonstrated really beyond much possibility of reasonable doubt that about two-thirds of the decrease in the unemployment rate from 1964 down to the low point in 1969 was due to factors other than the tax cut. Let me say that again. About two-thirds of the decrease in the unemployment rate was due to factors other than the tax cut. Now we're leaving out some things like the special labor market effects of defense production, which are quite substantial and rather surprising in many respects. We're leaving out the effects of declining participation rates among males even of the prime age groups, and one or two other developments of that sort.

U.S. UNEMPLOYMENT RATE BY QUARTERS

All Workers, Age 16 and Older
1960 to 1971, Seasonally Adjusted



Taking into account only the war and the definition changes, they account for two-thirds of the decrease in unemployment, and only one-third of the decrease was due to the tax cut.

This means that those people who implicitly assume that the whole thing was due to tax cutting are exaggerating the effects of the tax cut by a factor of about three. They are saying that the tax cut had three times as large an effect on the unemployment rate as is justified by the facts.

Now there is a further piece of evidence along these lines--this is the 1975 tax cut. This time the effect of the tax cut on unemployment was obviously much smaller than the effect attributed to the 1964 tax cut. As you can see from one of the earlier charts, there was some decline in unemployment following the 1975 tax cut, but it was not very great and apparently what effect there was simply washed out by the latter part of 1976 when the rate began to rise again.

Other evidence has recently become available. The Congressional Budget Office recently published a study of the relative effectiveness of four types of programs for the relief of unemployment. Let me tell you what they are. The first are public works, the second are anti-recession grants to state and local governments, the third is public service employment, and the fourth is federal tax cuts. The major finding, to put it very briefly, is that on a dollar for dollar basis, tax cuts have the smallest impact on employment of any of these four types of programs. The CBO estimates imply that the net cost per job created by tax cutting after 24 months is $17,000 to $21,000. Now just to anticipate very briefly my next area of discussion, their estimates also show that the net cost per job in a PSE program, after 24 months is $2600 to $3500. This means that the PSE program, dollar for dollar, produces five to eight times as many jobs as tax cutting produces. You would think that some of our enthusiastic students of cost effectiveness would have picked that up and would have made a great deal out of it, but it seems to have gotten rather little attention. I would conclude simply that tax cutting is an inefficient and wasteful method for reducing unemployment. There are much more effective ways. There are other ways that are much less likely to contribute to inflation. It seems to me that the most urgent need in employment policy today is to rethink the role of tax cutting and to recognize the inefficiency and the inflation dangers inherent in that approach to employment policies.

Now I want to say a few words about public service employment as a component of employment policy. I don't want to repeat too much of what I said in the background paper. I simply express the hope that you'll read the more complete analysis there if you disagree with the somewhat dogmatic statements that I make here. (1) A ten billion dollar public service employment program, to use an illustrative figure, can increase gross national product by at least as much as a ten billion dollar tax cut. This is elementary macro-economics, but it is almost totally ignored in the current discussions of employment policies. (2) A public service employment program will be much less inflationary than tax cutting. The reason simply is that it can be targeted. A tax cut, if it's across the board, hits the whole economy, including the places

where there are boom conditions as well as, in fact more than, the places what are depressed. The unemployed don't benefit directly from tax cuts because they don't pay income taxes on unemployment compensation benefits or on welfare payments. It's only those who are getting substantial amounts of income that pay income taxes; therefore they're the ones that qualify for the reduction or the rebate. The public service employment program can be targeted to the areas of high unemployment and excess capacity. It can also be focused on the groups in the labor force that have the highest rates of unemployment and the greatest disadvantages and the greatest difficulties competing in the labor market. Public service employment program experience has shown that it is much easier to scale down, and that it can be terminated much more readily than a tax cut can be reversed. How many tax cuts have we wiped out in the postwar period?

I'm not going to go through the whole list of criticisms of public service employment. I did try to cover some of them, including the "substitution" argument and the private sector versus public sector argument, in the background paper. I do want to say that I'm aware that a great many people have a kind of knee-jerk adverse reaction to the idea of creating more government jobs. I think that a mental image appears of a clerk sitting down at a desk between coffee breaks, moving pieces of paper from the in-box to the out-box, and leaving a half hour before quitting time. Now I don't care much for that kind of job either. If that's public service employment, I'm not really enthusiastic about it. But I think that image is the product of a poverty of imagination.

I want to give you an example of a different image of a public service job. I have to acknowledge the source. It's my wife, who has spent all of her adult life working in public education. She's now in an administrative position and in contact with a great number of teachers in our local school system. I once asked her what she thought was the single most effective thing that could be done to improve the effectiveness of public education. She didn't hesitate very much before answering the question. She says that she feels and she is sure that a great majority of classroom teachers would say, increase teachers' aides and the paraprofessionals. Now there are common-sense reasons why this is the case. She went into the matter in some detail with me and I haven't got the time to discuss this in the same detail with you. But I'm sure you're aware that the first casualties of budget cutting across the country in public education have been precisely these teachers aides and paraprofessionals. They have disappeared by the tens or hundreds of thousands all across the country, including the relatively prosperous community of East Lansing. I can visualize creating several hundred thousand jobs of this one kind alone. This is the kind of public service employment, I think, that makes sense. I think that it is a wise and sound investment for the long-run future. It could provide satisfying and useful jobs for hundreds of thousands of people, if we wanted to put that much emphasis on that. I think that it would not take a great amount of straining of the imagination to come up with other approaches, other kinds of employment that would make just as much sense as that one example.

Now, I recognize the length of this day and the passage of time and I assure you that I am getting close to the end. But I hasten to say that it would be a great mistake to regard public service employment as a panacea. It cannot be both the beginning and the end of employment policy. There is a lot more to employment policy, although in terms of dollars public service employment may well turn out to be the largest program in the area of employment policy. I would also give heavy emphasis to manpower training. I know that it's been said over and over again in professional journals, in business publications, and in the popular press, that manpower training just doesn't work, that manpower training has failed. I have read it in the American Economic Review, I've read it in Business Week, I've read it in the Wall Street Journal, and many other places. It has been repeated so many times that it is now a firmly established part of the conventional wisdom. I want to say to you that the overwhelming weight of the available evidence is exactly to the contrary. Exactly to the contrary. The National Council on Employment Policy has commissioned a fairly thorough review of the available studies of the effectiveness of manpower training. It will be published soon. I've been reviewing a draft in the last few days. The astonishing thing is the degree of unanimity in those studies. The virtually unanimous conclusion is that with a very few exceptions (and the exceptions are understandable), the benefits of manpower training in the overwhelming majority of cases outweigh the costs. Sometimes the returns are a large multiple of the cost of the program. That's a pretty sound kind of investment to make. There is only one substantial study that comes to a different conclusion. I'm not going to name the author. It's an unpublished study. It was commissioned by the U.S. Department of Labor. It has been examined by several people. Some really gross technical deficiencies were pointed out in the study. I don't know whether that is why it's never been released. Another study using the same kind of data came to a quite different conclusion. So I think that any reasonable person looking at the available evidence simply has to conclude that the only defensible conclusion that you can reach is that manpower training generally pays off and sometimes it pays off very handsomely.

The greatest weakness, the greatest shortcoming in manpower training, in my judgment and in the judgment of a good many others who have examined it, is that we have consistently underfunded it. We have actually had unutilized facilities at times of high unemployment, and the reason for the unutilized facilities has simply been the lack of dollars. I think that is close to a national disgrace. I think that we could greatly increase the contribution of manpower training to employment policy by greatly increasing the funding.

Now my last point on the instruments of employment policy. I think we need an array of other programs. I hope that the day is past when people believe that there is only one way of doing it. A couple of days ago I heard someone remark that the world is full of answers that are clear and simple and wrong. We've had a lot of those clear, simple, wrong answers in the manpower field. We have come to realize that the

problems are complex, and that the answers have to be complex too. So we need an array of other programs that are aimed at remedying the weaknesses of our traditional labor market mechanisms. Again, simply as an example, let me mention the possibility of mobility programs. We have had some pilot studies that have shown some encouraging results. We have no mobility program of any significance whatever anywhere in the United States--at least none that I know about. It is a greatly neglected area. We obviously need some special programs to make a start on solving the youth employment problems. You spent this afternoon talking about that. Now I don't mean to slight or to minimize the really tough problem of proportions and the problems of relationships that I have left untouched, but you'll be relieved to hear that even the longest speech must end sometime.

So I return to my starting point. Should full employment be a major national policy goal? And, of course, my answer is a strong yes. I think that too many of us have been intimidated for too long by the many prestigious economists and others who have been telling us that manpower programs don't work; that the only way to reduce unemployment is to cut taxes; and that if you cut taxes enough to approach full employment, you will have an inflation that will destroy the country.

The economics establishment is wrong about this diagnosis, as it has been wrong so many times before in the past forty years. The crucial point was made very well by one of the luncheon speakers today. The question is, what quality of life will we choose for our country? I say that we can continue our present course and slip further into the fortress society, where the majority of us sit behind triple-locked doors and try to think of more ways to protect ourselves against the miserable, bitter, dangerous underclass outside. Or we can, if we choose, make full employment a major goal of this great country and start moving in the direction of a stronger, more secure country and a better quality of life for all of us.

VIII. FULL EMPLOYMENT: THE CHALLENGE BEFORE US

A SPEECH BY

THE HONORABLE ANDREW YOUNG
THE U.S. HOUSE OF REPRESENTATIVES

FULL EMPLOYMENT: THE CHALLENGE BEFORE US

by

ANDREW YOUNG

It's a pleasure to be here; but in some ways I'm a little disappointed, because usually when I'm invited to talk to a manpower gathering, it's not the folk that put together the programs theoretically, but it's the guys who really try to implement them. (Guys is both male and female term). It's a job really of helping to encourage them to do the things that they're already doing quite well. In many respects, I feel like I should be listening to you, and that I might have been better serving both of our agendas to have stayed in Washington and voted on the Health Manpower Bill which I missed by catching the plane to get here tonight. But regardless, though you know so much more about this subject than I do, there's still a concern that I have that I'm very glad to share with you.

In 1967, we were going through Mississippi with Martin Luther King registering voters, and we came upon a very tragic scene. There were about six men in their late thirties and forties, but they looked like they were in their fifties and sixties. They were sitting out in the backyard, and they had a checker board on a barrel, and each one was sitting on a Coca-Cola case playing checkers. The others were hanging around. They were caring for the little children, and their conversation was reminiscing over when they used to work. It reminded me of the days that we -- you know the folk who played on the same high school football team -- were getting together and talking about the time when we won the state championship.

There was an enthusiastic reminiscence about the very low paying odd-jobs that they used to perform and the real camaraderie that they enjoyed when they worked. And yet, there they were, still strong, able-bodied men very desirous of employment; and they were unemployed as a result of government policy.

It was government policy that created a soil bank. It was government policy that paid people not to grow food or fiber. It was government policy that drove most of their young children north to the cities, equally untrained and unskilled. It was government policy, in fact, that created the cadre of the unemployed in our society. And I think that we as people who are now responsible for government policy have to take it upon ourselves to find ways of reserving that policy -- reversing the policies that move more and more in the direction of doing away with jobs and defining jobs and training in such ways that large numbers of people are left out. I think that's the challenge we are going to have to face if we are going to make this society really work.

I think of jobs for the jobless not just as a humanitarian concern. We met this morning with leadership of about ten of the largest Protestant denominations, under the auspices of the National Council of Churches, and with about ten members of Congress for breakfast, and they were concerned about the morality of unemployment. I told them I wasn't concerned about that at all; because I think if you are going to approach a problem, it can't be because you are doing something for somebody else. It's got to be because you are doing something for yourself, and you realize that the survival of the things that you hold dear are dependent on whether or not this gets done.

I think unfortunately we have tended to approach the whole question of manpower training and the question of full employment as though we were doing a favor to some young people who basically are lazy and lost and failures, and we're going out of our way to help them. But time and time again, we've got to focus back on the fact that the failures we see are not nearly so much the failures of young people or the elderly and middle aged who are unemployed as they are the failures of this society to work for everybody. Only about 45% of the people who start school in first grade in Georgia end up in finishing 12th grade. Fifty-five percent of the people of this state don't complete a high school education. And if you go down to the prisons in Georgia, and if you find the intelligent young people around the country from Georgia who were school dropouts, you get some sense of the fact that they didn't so much drop out as they were pushed out.

I remember getting put out of school in the third grade, because two of us were in the back of the room clowning. We were clowning because it was an overcrowded classroom, and we were bored. Because my daddy had a job and my mama had a job, my parents came the next day and got me back in school. The other young man that was put out in third grade never went back. I didn't see him again until I was between my junior and senior years in college and serving as life guard at a swimming pool. He came in and I didn't know who he was, but I saw this guy come in -- kind of staggered to the deep end of the pool -- diving, and go right down to the bottom. One of the other life guards and I got him out and laid him on the side. I knew I knew him from somewhere, and yet the tracks of drug addiction from his arm to his legs and even in the veins of his neck let me know that this was a frail shell of the human being that could have been, had he

had the same educational opportunities that I had. When he finally came to, he used to come back to the swimming pool pretty regularly, and we'd sit around and we'd philosophize. I'd been through the high schools and colleges of this nation, and he'd been in the reform schools and the penitentiaries. He'd always tell me to stay in school, because I needed to learn how to do some things; and when I got out of school, he wanted me to help him write a book, because he knew what really made this nation run, and he knew how people were destroyed in the prison system. Even though I agreed to help him write that book, I never saw him again after that and don't know what happened to him. But I'm constantly reminded that but for an accident of birth, that could have been my plight; and his plight could have been going to Congress. For he was equally as intelligent, if not more so; and given the opportunities that I'd had and the parental support -- but you see his mother was then working as a maid. Maids in Louisiana were making a dollar a day; so when she missed a day to come see about her child at school, that was an important part of her life's earnings. Even the lack of a minimum wage for domestic workers in that day, the thing that made it impossible for her to be the kind of mother that maybe he needed in that critical moment in third grade -- that too was government policy. And over and over again, I think we've got to realize that unemployment is the result of the failures of us all.

Roger Wilkins in THE NEW YORK TIMES said something a couple of weeks ago that really put it in a way that I hadn't understood before, when he said the problems of dealing with this generation of unemployed young people, especially blacks in the cities, amy be more difficult than the integration of slaves into the economy at the end of the Civil War. For slaves were, in fact, a part of the economy of this nation, and it was simply a matter

of adjusting that economy to pay them for the skills which they already possessed and which were very much needed by the society as a whole. They were skilled craftsmen; they were excellent farmers; they were proud workmen and women, even though they had done it as slaves. The problem we have now is that we've got a whole cadre of people who are creating a life style and an economy all their own, because ours has failed them. The truth of it is they are probably doing better than we've yet been able to do for them -- now, at great cost no less, a cost to them, but it's equally as great a cost to us.

We had a march for jobs and dignity here last year on Martin Luther King's birthday. We featured the Humphrey-Hawkins full employment bill, and we were talking about full employment. We had about 20,000 folk marching down Auburn Avenue from the Ebenezer Church downtown past city hall and right in front of the Federal Reserve Bank. We went to the Federal Reserve Bank, because we wanted to let the Federal Reserve Board in Atlanta know that we realized that their decisions affect unemployment. We wanted people to know that the monetary policies of the last eight years, the high interest rates, the moratorium on housing and construction, the freezing of various federal programs and cutting back of training programs of other varieties -- that those were policies, and that the Federal Reserve Board is probably the most relevant federal agency in the city of Atlanta. So we held our march in front of the Federal Reserve. The only problem was that, as we walked down Auburn Avenue some 20,000 strong, the unemployed were not interested. They didn't give a damn. They could care less. I wondered, as we walked, why they were not interested in jobs; and I came to the conclusion they have provided better hustles for themselves than our society has been able to provide in jobs, that they have, in fact,

created a counter-economy, which is an illegal economy, but which, nevertheless, allows them to participate in the values that they hold dear and that they see us holding dear.

Since basically all we talk about is profit, and when we analyze the economy, we are talking about the end result, and we favor the analysis of big business and what they think of, we very seldom make our corporate decisions on the basis of community values or morals. And neither do they. It reminded me of the kind of mechanism, value-wise, that I remember as a child, when folk would say when they were working, because they knew they were underemployed, "How much are you making?" "Twenty dollars a week and all I can steal." And right there on Auburn Avenue you can take your size, and you can pick out a model in any store in this town, and you can give it to somebody, and they will deliver it to you at your house for one-fourth the cost, on appointment. I talked to the executive vice-president of Rich's Department Store one time, and I tried to press him in terms of how much it cost them to protect themselves against pilferage and shoplifting. He said, "The truth of it is we are even afraid to calculate; we just write off 2%." He was talking about 2% of one store, which runs in the neighborhood of $20 million in that one downtown store. They don't like to think about the cost that the economy is absorbing for having locked out large numbers of people.

I remember an occasion also in Cleveland, at the time that Carl Stokes was running for mayor, and Martin Luther King was there. We were trying to get people registered to vote. This was in the wake of the period of riots, and somehow people got the notion that because we were talking non-violence, that rioting was something militant and destructive, destroying the system, that we were doing something to support white folk. So as we

passed a group of women who were obviously prostitutes standing on the corner as we drove by, they recognized Martin Luther King, and they hollered, "Tom Tom, get the hell out of town. We don't need you here." It really upset Dr. King so much that he made us go back around the block, park, and he got out and talked to these young ladies. We were on our way to a meeting, and got them to realize that what we were doing here in town was for their benefit; and we asked them to meet us at the church later on. When we got back to the church, there were about 40 prostitutes there. The overwhelming impression of that gothering was that these were young ladies who were every bit as intelligent and were so street-wise that they were coping with the society with the only resources they had at their disposal. They were terribly cynical that we had failed to give them a productive alternative. The same thing could be said about almost any prison you visit anywhere.

Out in California, speaking at one of the finest intellectual institutions in America, only to have the college chaplain who was also the prison chaplain ask me to come over and also speak at the prison, and having in the same day to compare the kind of questioning and analysis that I got from the college with the kind I got from the prison, I almost figured that we would have been better off talent-wise if we'd put everybody in college in jail and put everybody in jail in college. You get the impression that the poor, the black and the brown of intelligence, end up getting shunned out of our economy to shift for themselves, because they ask too many questions. They don't want to be second, third, fourth class citizens. They don't want to do the dirty work. They want an opportunity to be full participants, because they believe that God has given them, or somebody has given them, enough intelligence and enough ability to be equal to some of the people they see running the country.

So how do we get a manpower program? How do we as a nation so gear outselves up that we begin to utilize this tremendous bank of talent which is now being destroyed by us and our system and which, in turn, is doing everything that it can to destroy us? We say this at a time when we've got an economy functioning at about 70% of its capacity and a world that's desperately in need. Anything that we can produce can be consumed. The answer to the problems of unemployment is not the problem of our ability to train workers; it's not the problem of our ability to create jobs; it's not the needs of the world or even the potential markets, for we've done almost nothing to utilize the potential markets of this world. You take a market like Nigeria, sitting on $50 billion worth of oil royalties. You go to Nigeria, and find the Japanese are knocking down every door. It's a rare occasion when you see an American businessman over there trying to market U.S. products in Nigeria. We allowed the whole Mexican car market to go to the Japanese. It frustrates me, not that the Japanese are bad folk, but that we have little or no interest in an international economy. And their economy is geared up for export. So they are far better prepared to deal with the future, including the future where people raise the prices of natural resources, because they have already got the lines to the developing markets so that they just raise the price of their manufactured goods. Japan was willing to bid at one time for oil at $20 a barrel. It didn't matter to them, because if the Arabs were getting $20 a barrel for oil, they were going to get that much more for typewriters, cameras, and Toyotas. The whole international economic system is one which we as a nation have still not begun to think about. We still have notions like Operation Independence or WIN -- remember that one? And not really a part of the real world, and we are suffering.

The budget deficit that this nation is now running is a direct result not of government spending, not even of inflation, but of underutilization of our economic capacities, both technical capacities and manpower capacities. And we are not going to be able to deal with any of the problems that we face until we realize that we are being hurt; that the inflation created by unemployment is exactly the opposite, I think, of the traditional economic analysis; and that we are not going to be able to deal with inflation until we actually have everybody working. For as long as unemployment carries with it all forms of compensation and food stamps and Medicaid and Medicare, the people who are working are paying a larger and larger share of their money to carry people who are not employed. And so I think our role is to say to folk -- "Look, either you are going to put every American to work, or you've got to be prepared to support 20 to 25 million Americans and all of the social consequences of their unemployment." I shouldn't spell them out to you, but maybe I ought to talk another ten minutes; so I will. You figure the average span of unemployment runs about 2½ to 3 months. When we talk about 7%, 8% unemployment, increasing from, say 7.3% in May to about 7.8% or 9% now, and you realize that you are some of the officials who miscount those figures, and know that they are inaccurate to start with -- that they don't include large numbers of people; they don't include the elderly who really want jobs and who, though they are 65, still have many good years of working in them; they don't include those who are not in school (16-18 or 14-18 really we might say) who want to be a part of the workforce and would be a part of the workforce -- when we look at the social consequences of that many people, some 25 million people a year, who experience unemployment, and when we think of what that does when each one of them is probably a part of a family of four where one or more knows unemployment,

we're talking about almost a hundred million people who suffer in one way or another from the phenomena of unemployment in the course of a year. That suffering might not be any more than the disturbance between husband and wife that might wreck a home, the turmoil that's caused that keeps a child from learning, that makes our billions of education dollars unworkable, the overload of Medicaid and Medicare and the breakfdown of our health services. When folk are working and enjoy their work, they don't get sick. They get sick when they're doing nothing, when they've got themselves on their hands. And so the overloading of every existing program we have and the malfunctioning of the total system can be traced back to this phenomena of joblessness and the inability of our society to make a working place for every American who needs and wants to work.

I don't know how we do it, but I think in this room you probably know how. One of the things I do think is that we miss the draft. Now I was never for doing away with the draft, because when I left high school every young black person who didn't go to college immediately -- and there were not many of us who could afford to go immediately -- went to the army. The army was the training ground that gave them three years of discipline, of time to settle down, of travel. It was kind of the puberty rites of young males in America, and that basic training in the military was the nearest thing that this society has ever known to the primitive puberty rites of the transition period from childhood to adulthood. And that's a real necessity. Now, the nearest thing to puberty rites is getting the car keys or your drivers license. But that's only for a rare few. Somewhere along the line, in a society as enormous and complex as ours, there needs to be some institution that frankly takes up where the public schools leave off and creates the values, the discipline, the sense of direction, and the skills

training that a person needs to leave childhood and to become a self-sufficient member of this society. I'm leaning more and more in the direction of going back -- not back but going to -- a national voluntary youth service, some kind of universal youth training program -- and I say universal because I think the undisciplined, suburbanite, white, middle class kid is just as desperately in need of it. That whole beat generation, the whole drifting drug culture, the whole alienation of middle class whites is also a part of the failure of our society. Fourteen weeks of basic training that just gets folk used to getting up in the morning and that just gets their bodies in physical condition enough so that they can do a day's work without ailing, it seems to me, is an absolute necessity to continue the kind of culture we've developed. The establishment of certain basic remedial nutrition standards so that people learn how to eat is needed, because they don't know how to eat in our society any more. Those are the kinds of things I'm afraid the government is going to have to do.

I see a universal youth service going beyond ACTION and the Peace Corps, but using the health manpower, juvenile delinquency, civilian conservation, para-medical projects -- all of the things that the society needs -- and encouraging every young American, male and female, to give one year to 18 months of voluntary service to their nation. That would solve part of the problem by taking a good segment of the society out of the workforce. You wouldn't then run into the question of paying them minimum wages -- so labor unions might not like that -- but the kind of neighborhood programs, the kind of agenda we have both at home and abroad, for young people. I think we could create a youth service that has enough style and substance to it that people would be willing and anxious to be a part of it. This would be a time to inculcate certain basic values and

dedication to this nation. It wouldn't have to involve killing people, it wouldn't have to involve the training with weapons, if we got good physical training, good mental training, good job training, but pick up on the Job Corps where the Job Corps began to leave off and go even further. I think it's got to be a kind of celebrity Youth Corps -- something special -- it's got to look like our Olympians look when they go across the seas to represent this nation. There has got to be a fancy civilian uniform that gives people a sense of pride, and people have to look forward in some way to this year of voluntary service as a year of travel and opportunity, cutting across the cynicism and materialism of our society and challenging young people, perhaps first on a volunteer basis, but with an understanding, as it expands and grows within a five-year period, that we might then move to a universal service. Somehow restoring a sense of what it means to be a part of a great nation and carrying your load and giving to somebody else is to me the challenge of our manpower and our employment programs. I think we're going to have a Congress that's responsive to that.

We've done a pretty fair job on jobs bills, and I think we've got one on the President's desk now that should be signed pretty shortly. It just cleared the Senate, I understand, and that will create some 200,000 - 260,000 jobs. But that's just the beginning; and as long as we think of full employment or unemployment as a kind of piecemeal project that one of these days is going to go away, I think we are kidding ourselves. There is something fundamentally missing in the way the economy is presently organized. There is something fundamentally missing in the educational systems of our cities. We've got to undo several decades of government policy which has contributed to people being unemployed and unemployable.

And we've got to find a way to make young and old alike a contributing part of this great nation. I think we can meet this challenge, and I'm sure you are anxious to do it.

Maybe we had better get on and see what these two fellows who think each is qualified to best run this country have to say that will impact on what we have to do. If they don't say it, and if they don't say it well enough, I would contend that there is still time for them to make up their minds to do it right, and that it is possible to have more input in the next administration in the next four weeks than there will be after they get elected. We were playing in a tall field when I was a little kid, and we were out there trying to play baseball. The Johnson grass was about that high, and somehow we realized that it was election time. My daddy said, "Look, they're getting ready to vote -- why don't you call up and see if the city will send out somebody to cut the grass?" Sure enough a few weeks before election time we called up, and they got right out there cut the grass; and they made us a nice playground. I've never forgotten that the time to influence public policy is just before elections. I think that you can esculate the debate on unemployment if you will get away from the economic theories -- not that they are not relevant. But regardless of the theory, we've got to solve the problem; and it can't be a matter of whether 3% or 5% is acceptable, or whether it be 4½%, or whether you are going to have the cutoff age 18 or 21 or 25. All of that is academic nonsense. Basically it's going to amount to how much can we utilize the resources of this society for good, or how much of a drag and lag on our taxes do we want to support. When you put it that way, I think we can find a way to find every American a job and make every American a contributing citizen.

IX. THE INTERFACE OF PUBLIC POLICIES AND ECONOMIC DEVELOPMENT

A SPEECH BY

F. RAY MARSHALL
CENTER FOR THE STUDY OF HUMAN RESOURCES
THE UNIVERSITY OF TEXAS AT AUSTIN

THE INTERFACE OF PUBLIC POLICIES AND ECONOMIC DEVELOPMENT

by
F. Ray Marshall
Center for the Study of Human Resources
The University of Texas at Austin

Thank you. It is a pleasure to have the opportunity to meet with this group of manpower specialists. One of the ways we make policy-oriented research more meaningful and relevant, we hope, is by associations with people who are involved in a wide range of activities associated with what we have called manpower policy and which I suspect is increasingly going to be called employment policy.

Now I've been asked to talk about the interface of public policies and economic development. You can break that into two general categories--one dealing with what we talked about yesterday as economic policy. I think we have dealt with that fairly extensively. My own view about that is that the manpower programs or selective employment programs have an extremely important role to play as a part of overall economic policy. There is some agreement on the need for such programs but we disagree over the degree of effectiveness. Clearly, however, we are not likely to get anything like full employment and stable prices and maintain a free society with general economic policies alone. This is true because of the segmentation of the economy and the fact that general economic policies have given far too much attention to general policies and not enough to the way the different sectors of the economy operate and how they interact with each other. Now I think it is equally clear that you are not likely through these general policies to move toward anything like full employment, by anybody's definition, without intolerable levels of inflation in some markets long before you ever get at the problems of unemployment in others. We have, therefore, got to do something else.

Now the something else that some suggest is that we use some kind of incomes policy. That's a European term to mean wage and price controls. However, there is very little evidence that wage and price controls can work, if by working we mean having a permanent program that will check inflation as we move toward full employment. We have a very dynamic economy. It's practically impossible to devise a formula for wage and price controls that will not cause serious misallocation and dislocation in either product or labor markets. We've tried to develop such a formula a number of times and it has never worked. One of the most important and relevant reasons incomes policies have not worked very effectively is because of the very nature of the job we give them and that job is to work against powerful economic forces in the market and powerful institutional wage setting and price setting processes. If labor markets are getting tight and unions have the ability to raise wages, wage and price control mechanisms call on them not to do it. Unions are political; leaders get elected and it's very difficult for them to have the power to do something and not do it. Employers are interested in raising prices and maximizing profits.

I don't know what's second to maximizing profits in motiviting employers, but I'm convinced that it's a long way behind profits. Wage-price controls ask employers not to do that when they have the power to do it, that is not maximize their profits. People who have a number of choices can avoid the control process.

One of the advantages of manpower or selective employment programs is that, instead of working against these forces in the economic system, they work with them. When there are bottlenecks, for example, selective employment devices are designed to overcome those bottlenecks. If incomes policies are going to be successful, they must work with the natural processes at work in the system as much as possible, rather than attempting to work against those processes.

There is much talk these days about a social contract to try to keep wages and prices from going up more than the increases in productivity. Some would use the tax system as a way to do that. Economists like to use the tax system because it's geared to something they think they know about, namely prices. I'm not sure we really do know much about prices and costs, but at least the tax system tends to gear itself to the price system. One idea being discussed a great deal is to impose taxes on wage increases above some target level of productivity. That scheme incurs all of the disadvantages of wage and price controls without any of the advantages. This scheme fails to distinguish between a tax incentive system that works against the system and one that works along with it. For example, in the case of the mortgage tax credit system, there's not much opposition to doing what the tax credit is trying to get you to do--that is, you want to buy a house, somebody wants to sell you one, somebody else wants to build it, somebody wants to lend you the money. There are no strong opposing forces at work here. That's different from working against powerful forces and trying to tax people to keep them from doing what they want to do.

What is the alternative to this system? The kind of social contract most likely to be effective probably will be one based on people who have problems in particular industries working on their own problems and coming up with the rules to resolve those problems. Clearly, if we move towards anything like full employment without inflation we've got to increase productivity. Inflation represents the relationship between money and goods, and, if we can cause the economy to become more productive as we move towards full employment, we'll be able to do it with less inflationary pressure. There are all kinds of unproductive systems in our economy; I emphasize "unproductive systems," because it's not necessarily the individuals in those systems who are unproductive, but systems tend to be unproductive. Our medical system, for example, is unproductive. The way we've got it organized there is little necessary relationship between medical care and health. It is a system that could be improved by things that we already know about. The construction industry is an unproductive system. We've got 6 million workers trying to fill 3.4 million jobs, partly because of the way that system operates. Many of our low wage labor markets are terribly inefficient in the use of labor, and the reason they are is, if there is a surplus of labor,

inefficient mechanisms are developed to use it. There is, therefore, a lot of waste, and the cost of inefficiency in those labor markets is shifted to workers in the form of higher unemployment and lower earnings than would otherwise be the case. If some industry committees were set up to deal with productivity problems in those industries, modeled pretty much on a number of agencies that are already working fairly effectively, especially in the construction industry, we would come closer to resolving the wage-price problem than if we tried to impose an incomes policy on those industries.

The advantage of such a self-regulating system is that we minimize the need for direct government intervention. A fairly permanent mechanism also is created which would be useful, if we had to have wage-price controls during an emergency. The factual and analytical mechanisms to regulate wages and prices more effectively could be developed in advance. An ongoing standby wage-price mechanism might work.

However, a more important role in achieving full employment and stable prices can be played by employment policy. It is, moreover, necessary to distinguish two kinds of employment policies--one general or macroeconomic policies. The other, selective employment policies, offers considerable promise, but employment policy is a broader term than manpower. Let me mention some of these selective policies and indicate how, particularly in the context of economic development of rural areas, some of these programs have worked.

First, we need better data and conceptualization. I stress the conceptualization because I find very little of traditional economics that helps us understand the kinds of things we must understand in order to have an effective employment policy. We therefore need to do a fair amount of conceptualizing about manpower or selective employment policies to develop a discipline that is more useful for our needs. The kind of discipline I think would be most helpful is an organic systems approach which focuses upon all those things directly related to a problem, such that changing one part of the system, or one component, would interact with all the rest of the system. The important policy questions are: Who are the principal actors in a system? What are their motives? What kinds of mechanisms do they construct to perpetuate their interests? What are the power relationships between them? These questions are likely to produce a conceptual framework that would be much more effective than trying to push things into the demand and supply mechanisms of neoclassical economics.

The second component of our selective employer programs is training. As mentioned a number of times in this meeting, there is some confusion about the means of training, under both MDTA and CETA, because the training frequently is not really designed to give people skills. Much of what is called training is mainly income maintenance. Now there are some very effective training procedures. Training ought to be serious business and it ought to have a payoff at the end in terms of greater skills and higher earnings. The model I would commend to you is the apprenticeship training model for skill development, which contains some combination of on-the-job training and related instruction or

institutional training. I don't think there's any evidence to contradict the fact that this combination is a lot more effective than either one taken alone. In the development area I think there are a lot of things than can be done that we haven't done to make effective use of apprenticeship training. We also could make much more effective use of the start-up training concept to promote development and upgrade the skills of people in rural areas.

A third selective employer program that worked fairly effectively is the outreach concept. It seems to me that this was one of the most important social innovations to come out to the 1960s. The basic idea behind the outreach concept is that you've got to do more to change behavioral patterns than simply to pass a rule or law and say "now we've changed." The outreach concept is based on the assumption that, if you want to get people to use the service or take advantage of the thing that you've got to offer them, you've got to go out and find them, whether you're talking about training, employment or health or whatever. I think one of the most effective outreach programs that we had was developed to get minorities into the apprenticeship system. It turned out to be an extremely effective program, mainly because they didn't simply just lower the racial barriers and invite people to come in but went out and got people, tutored them, and got them in. There is very little substitute for that kind of action.

A fourth selective employment component is public employment. It is, however, necessary to distinguish several kinds of public employment. When critics of public employment argue that these programs are too inflationary, would cause too great an increase in government payrolls, and a lot of other things, they almost always assume that the only kind of public employment is to put people on government payrolls. Now public employment is a very flexible tool. It could mean government employment but also could mean public works, supportive work, or some combination of all those things; and the outcome is quite different. One of the most effective of these programs in rural places was Operation Mainstream. However, because of rural-urban differences, a program that might fail in a central city might be very effective in a rural area. I think the Neighborhood Youth Corps programs were effective in rural places. They were not as effective in many urban places because of the differences in the labor markets. The main thing about public employment that commends it to me is that, if you're going to try to move toward full employment without inflation, it is important to increase output as much as you can. Now those who believe that you cannot put people on public payrolls and increase output effectively seem to me to be arguing about an administrative and not a conceptual matter. Experience demonstrates that we can have an effective public employment program.

A fifth selective employment program is job rationalization. This is an area in which we've got a long way to go, but by rationalization I mean identifying and removing the inefficiencies and waste in labor markets. It might be possible to increase or maintain the earnings of workers without increasing labor costs. Let me give you an illustration.

In the citrus industry the typical way that citrus was harvested historically in some places was to use labor contractors, piece rates, and surplus labor. The typical historical harvest process was to have the citrus worker climb up on a ladder, pick fruit, climb down off the ladder, walk out into a road, climb up on another ladder and dump the fruit in a truck. The labor contractor frequently had only one truck so when they got this truck filled they took it to the shed, the worker sat down and waited for it to come back or quit for the day. That was a very inefficient system, because all of that walking and sitting time on a piece rate system was paid for by the workers, and management had no incentive to introduce bins, conveyor belts, or other things to create a more efficient system. Those workers were lucky, if they worked hard to average sixteen to twenty hours a week. Citrus is a seasonal industry, even though there were other crops closely related that peak after the citrus harvest and other nonfarm activities that could have provided other employment for numbers of citrus workers families.

This is one example of a low wage labor market that was very inefficient and where almost all the costs of inefficiency were shifted to the worker, although that system also did a lot of damage to the trees, and gave very little incentive for employers to improve output. It is easy in a situation like this to improve output.

A harder case of rationalization would be the construction industry. We could do it, but the main point is that the people who work in the construction, citrus, or whatever other, industry must take the responsibility for improving the operation of those labor markets.

Another category of selective employment programs is improving the operation of labor markets, by making them function more effectively and removing discrimination against people because of anything unrelated to their productivity and efficiency. We have learned a little bit about how to do that but we have a long way to go in perfecting the mechanisms.

Another major selective area to improve productivity is promoting economic development in lagging places; this could apply to central cities, rural areas or other places left out of the main economic development processes. Let me direct your attention mainly to rural areas since you have my background paper on the use of selective employment programs to promote rural development. There really is not a lot more I need to say about that topic, except to emphasize a few things. The first is that many people have a great misconception about rural areas. For example, many people equate "rural" with "agriculture." There are about 57 million people in rural America today and only about one million make a living mainly from agriculture. Only about nine million of those 57 million people live on farms. The rural work force is about 30 million. The agricultural work force is only about four million, so when we say rural we don't mean agricultural.

Rural development is an important problem for the country, partly

because many urban problems are made in rural areas, and rural and urban people, therefore, have a common interest in rural development. There are some very interesting developments and trends in rural America. One of the most significant of these is that, during the 1970s, for the first time in this century, rural populations are increasing absolutely and relatively. Before 1970 that was not the case. However, rural development is very uneven. Many places are not developing and are continuing to decline; people are continuing to move out where rates of poverty are very high and where there is a need for development.

What do you do about those places and what is the role of manpower or selective employment programs in trying to deal with the problems of lagging rural areas or central cities? There is disagreement on what ought to be done, but everybody agrees that, regardless of the development strategy used, manpower programs have an important role to play in it. According to one school of thought, we need to depopulate these places, since development is not likely to take place and, therefore, we need to move people out of those places into so-called growth centers that have some prospect of development. This strategy would use relocation programs to accomplish that objective.

In my view, relocation projects have a small role to play, but their benefits can be greatly overstated. We experimented with some of those programs under MDTA, and the general conclusion was that we affected the timing and destination of the moves but we really didn't do much to affect the kinds of people who moved because the people who moved under these programs tended to be the same ones who would have moved anyway. The question is should we use public money to cause to happen what would have happened? You might say yes, because timing and destination are important.

The second conclusion from these programs is that very few people benefited from the move. There are all kinds of technical problems associated with studies showing some improvement in the economic position of mover, but the central problem was that they didn't control for everything, since younger, better educated people tend to be the ones who move. If you compare the movers with those who remain behind, you are not really making a legitimate comparison. Once you control for education, age, workforce experience, and all the rest of the things, the main people who benefited from relocation were relatively young people.

From a rural development perspective, we must count the cost to rural places of moving people out of those places. Relocation could accelerate the decline of rural places rather than really helping them. Nevertheless, relocation does have some effect and should be one of the selective programs available to us.

If you decide to use selective employment programs to promote development in a lagging region what kinds of things would you do? I think the first is to pay attention to getting some organizational structure in the lagging places to promote development. The CSTE model

has a lot to commend itself for. These programs put, into lagging places, developers who knew how to use manpower and other selective programs, were familiar with the places, and could promote development. Much also needs to be done to strengthen the local units of government in these places because the small governments and particularly rural governments have very limited development expertise. Circuit riding city managers might provide expertise to a group of small towns and cities in order to help them promote development.

Another organizational model is the community development corporation. One basic misconception about rural development is that the market will always promote development; people frequently say that the reason lagging places are lagging is because they contain no profitable opportunities for development. That is not even good neoclassical economics, because profit maximizers will take advantage of the most profitable opportunities. There still can be profitable opportunities in a place that might be pursued by an organization with a different set of motives. In other words, an organization motivated to maximize employment, and not profit, could make profits, provide a lot of jobs in a place, and help develop places that are likely to be left out of the ordinary development process.

Training and the out-reach concept also have a lot to offer. Economic activity is coming into many rural areas; in those places and in central cities people from the outside often get most of the jobs, even though the work takes place in labor surplus areas. A demonstration project on the Tennessee-Tombigbee waterway is demonstrating what can be done with such an approach. The basic idea is that one of the main reasons that employers don't utilize rural work forces is their inability to get accurate information about the availability of workers with different skills. There are also limited possibilities to train people. The model that we are testing in the Tennessee-Tombigbee case assumes a need to put a few people to work locating workers and training them for specific jobs. The Tennessee-Tombigbee-type project could relieve some of the inflationary pressure on tight urban labor markets and, at the same time, do something about unemployment in rural places with high unemployment.

A lot more attention also needs to be devoted to rationalizing agricultural labor markets. We tend to ignore the problems of small farmers in thinking about selective employment programs. There is an assumption in some agricultural circles that small farmers are inefficient. People with this view have made that a self-fulfilling prophesy by adopting programs to ignore small farmers and to concentrate public programs mainly on the problems of large commercial farmers. There is a myth that small farmers have been displaced solely because they are not efficient. They have been displaced because of our policies and not because they are inefficient. There is no evidence that there are across-the-board economies of size in agriculture. If there were, there would be no small farmers left in Russia, but small farmers operating on an open market in the Soviet Union, with one percent of the land, produce almost one-third of Russia's total agricultural output. Selective employment programs can do much to help small farmers

succeed. Since the typical small farmer gets most of his or her income off the farm, training for non-farm work can play a role in helping improve the incomes of small farmers. That's essentially what is being done in the Tennessee-Tombigbee project. That project is taking sharecroppers, who never made the minimum wage, and within eight to ten weeks they are making over six dollars an hour. You don't have to wait a hundred years to make that kind of leap if we have effective programs.

Another important idea is the start-up training concept. As you all know, one of the main problems in both training and economic development is that frequently employers have gone into places assuming that they had a skilled labor supply and then finding that it wasn't there. They assume labor is available in a labor surplus area. The single greatest problem many of these firms have is labor turnover. The idea behind start-up training is to bring economic development and training together at the same time by training people for the jobs before firms come in.

A final selective program that must be mentioned is immigration policy. It seems to me that we are not really likely to create full employment in rural or urban areas so long as whatever we do to try to increase jobs is swamped by the importation of people from other countries. We don't really know how many alien workers there are in the country. We know that the range is somewhere between four and twelve million. All the talk in Humphrey-Hawkins and other legislative proposals about moving toward full employment is not likely to be very effective unless we address this problem. It does not do us much good and does not do these alien workers much good to create a permanent underclass of people who are unable to protect their interest. By not facing up to the immigration problem, we are probably building the civil rights struggle of the 1980s and the 1990s. People who come into the country ought to come in with full legal rights to protect their interests and not come in working scared and hard, thus undermining their conditions and those of other people. At the same time the number of people we let into the nation's work force ought to be realistic in terms of our labor market needs.

X. DO OUR STATISTICS MEASURE THE REAL LABOR MARKET HARDSHIPS*

A PAPER BY

SAR A. LEVITAN
CENTER FOR SOCIAL POLICY STUDIES
THE GEORGE WASHINGTON UNIVERSITY

AND

ROBERT TAGGART
NATIONAL COUNCIL ON EMPLOYMENT POLICY

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Sar A. Levitan, Center for Social Policy Studies, The George Washington University
Robert Taggart, National Council on Employment Policy
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The Anachronisms of Labor Market Statistics

It is critically important that the economic indicators we compile and use in decisionmaking accurately portray reality. They should be valid and reliable measures of the factors that genuinely reflect the state of society. Current labor market measures, developed at the end of the Great Depression, reflect the primary concern of the time--the availability of jobs for those able and willing to work. Since then the unemployment data have proven to be a valuable multi-purpose indicator. It was applied as a measure of the available stock of unused human resources in the economy. Based on the unemployment concepts the Phillips curve formulation suggested a relationship between labor market slack and inflation. Unemployment was applied as a basic variable in describing and predicting individual behavior. Before an elaborate transfer system was developed, the unemployment rate also served as a reasonable indicator of economic hardship.

Changing Realities

Over the decades, changes in the labor market and in our society have eroded the validity of the unemployment measure as an economic indicator for policy determination. Changes in the structure of the domestic economy have apparently altered the relationship between unemployment, wages, and inflation. Labor market developments were not primarily responsible for price changes in the 1970s. An ever increasing share of the labor force comes from households with two or more earners.

Idleness is increasingly an acceptable and voluntary option whose impact is softened by transfer payments or by multiple family earners. Many workers claim they want jobs but are only half-heartedly looking. More would take jobs if working conditions were favorable, but they are not actively seeking work. Others may feel it prudent and possible to look longer in order to find a higher paying job. Extended unemployment compensation, welfare, food stamps, social security, veterans benefits and other aid reduce earnings losses and even generate work disincentives; recipients with no interest in work may claim to be able, willing, and actively looking solely to meet program requirements. Finally, for workers trapped in a "secondary labor market," intermittent employment is the product of low wages, bad jobs, and employment situations in which turnover is accepted and even encouraged.

As a product of these changes, the relationship between unemployment and hardship has been increasingly obscured and unemployment statistics are no longer valid measures of economic and social health they once were. Joblessness among teenagers rarely affects the well-being of families. Many unemployed have a spouse with very adequate earnings, or else the family may have other income sources. Persons who do have intermittent work may have low earnings over the course of a year and even full-time work is no guarantee against poverty where there are many mouths to feed. Many full-time and intermittent workers end up with a lesser income than the families of the more affluent unemployed.

The Need for New Numbers

The shortcomings of the unemployment rate and other official labor market statistics have not gone unnoticed. Questions raised in the 1950s led to the appointment by President John F. Kennedy of a blue-ribbon panel, the Gordon Committee. The panel reviewed the concepts and suggested some revisions, but paid little attention to the emerging impact of income transfers upon work. No effort was made to redesign the unemployment data as a measure of economic hardship. Later, in the 1960s boom years, there was concern with persisting structural problems in ghettos, depressed areas, and among racial minority groups. The Great Society's policymakers, convinced that statistics then understated the seriousness of social problems, believed that a new measure of hardship would justify its active welfare efforts. When administrations and economic conditions subsequently changed, the statistics were questioned from another perspective. Some argued that the prevailing level of unemployment did not reflect economic deprivation as it had in the past, and that a higher rate had to be accepted to achieve price stability. The relevance of unemployment data as hardship measures was further questioned in the mid-1970s when unemployment compensation was liberalized and expanded, and when massive joblessness was greeted by public indifference.

Reacting to these concerns, the Bureau of Labor Statistics made efforts to expand the scope and coverage of the Current Population Survey data. Weekly earnings data were compiled each May and data on discouraged workers were added quarterly. An expanded household survey added details about family status and persons outside the labor force, but BLS made little effort to change the concepts that underlie the collection and presentation of unemployment data. The support for a hardship measure dissipated as unemployment became more widespread and policymakers showed little interest in a measurement which would accentuate labor market pathologies. The idea of a weighted unemployment rate to measure unutilized human resources or to justify raised unemployment targets became less pertinent when joblessness approached depression levels. Unemployment compensation benefits expanded as a stop-gap measure but critics claimed that many claimants were not seeking work. As in the past, debate over the numbers abated as conditions improved. The supremacy of the long-standing concepts was demonstrated when President Gerald Ford touted as part of his economic record a few downward ticks in the unemployment rate from the highest levels since the Great Depression, and his critics were sidetracked in a fruitless debate over the feasibility of an arbitrary full-employment goal.

The unemployment rate is like the proverbial shoe: we wear it because it is familiar even though it has become disfigured and the sole wears thin. We debate minor changes in joblessness and faraway targets without really knowing what the numbers mean. We continue to ignore the realities of a drastically expanded transfer system which provides some support to at least one of every four Americans. We still think in terms of neoclassic supply and demand theory despite the demonstrated interrelationships between low wages, discrimination, welfare and unemployment in the secondary labor market. In brief unemployment rates and other official labor market statistics have become inadequate to explain the ever changing labor market conditions. New concepts and new measures are needed for public policy formulation. Multibillion dollar programs and new proposals regarding employment policy may be riding on misconceptions about labor market operations which are based on Current Population Survey statistics.

A Hardship Measure

With earnings the predominant and societally-preferred source of income, a crucially important concern is the labor market's ability to provide workers not just a job, but a minimally adequate income. The long-term unemployed are likely to live in deprivation because of their earnings loss, but others besides these unemployed are failed by the labor market. Part-time employees seeking full-time work, intermittent workers, persons withdrawing from the labor force because of limited job opportunities, and, of course, low wage earners may all have deficient incomes. But many individuals with similar employment problems may not face economic hardship if there are other earners in their families or if they have alternative sources of income.

Concepts

The Employment and Earning Inadequacy index attempts to count all persons in the labor market who face employment and income problems. The prevalence of employment problems is first assessed by a "subemployment" measure defined to include the unemployed, discouraged workers not in the labor force who currently want a job but are not looking because they think no work is available, employed household heads who earned less than a poverty level wage in the last year (including those working full-time full-year as well as those working intermittently), and persons employed part-time involuntarily because of shortened work-weeks and other economic reasons. Full-time students age 16 to 21 years are excluded since they presumably are occupied in socially useful activity and therefore seek only part-time jobs, and since their income needs are frequently met from nonwork sources. Persons age 65 and over are also excluded since public pensions are now nearly universal and private pensions are much more widespread, reducing needs and labor force attachments. Only family heads are counted in the two low-earnings categories because other family members may frequently have only a peripheral attachment to the work force and hence limited earnings. [The technical flaws and conceptual difficulties involved in the proposed index were spelled out by the authors in Employment and Earnings Inadequacy: A New Social Indicator (Baltimore: The Johns Hopkins University Press, 1974), pp. 39-45 and in the Monthly Labor Review, Oct. 1973, pp. 24-27. Particularly troublesome is the distinction in the treatment of low earning males and spouses. The problems can be corrected when a more refined measure is developed.]

Despite the difficulties they face in the labor market, some of the subemployed may have an adequate personal or family income. In order to screen out these cases, an upper income adequacy test is applied. All persons whose family income for the preceding year was above the mean for families are excluded. The same holds for

unrelated individuals with income above the mean. Since wide variations exist between metropolitan and nonmetropolitan areas separate mean incomes are applied to residents inside and outside metropolitan areas.

The Employment and Earnings Inadequacy index is calculated as a ratio of the subemployed with below-average incomes to the number of persons in the labor force, defined to include discouraged workers. The index indicates the proportion of people working, seeking work, or discouraged from seeking work who are unable to secure a minimum income and are also not fortunate enough to have other working family members or sources of income which ameliorate their own earnings problems.

Derivation

In March 1974 the civilian noninstitutional population numbered 148.2 million persons age 16 years and over. A total of 89.6 million were in the labor force and 585,000 were nonstudent, nonaged discouraged workers. The adjusted labor force was the sum of the two--90.2 million (Table 1).

Subemployment was the sum of five categories:

1. Unemployed. The Current Population Survey counted 3.9 million unemployed workers in March 1974 after subtracting students age 16 to 21 years old and individuals age 65 years and over.

2. Discouraged workers. There were 585,000 persons wanting a job currently but not looking because of discouragement over the prospects.

3. Fully employed low earners. There were 1.8 million family heads and 293,000 unrelated individuals who worked full-time, full-year in the previous 12 months and yet did not earn enough to reach the poverty threshold.

4. Intermittently employed low earners. Another 2.6 million employed family heads and 1.1 million unrelated individuals who had worked intermittently during the preceding year did not earn a poverty level income.

Table 1. Derivation of employment and earnings inadequacy index for March 1974 (thousand persons)

	Subemployed in Current Population Survey	Persons in households with above-average incomes	Employment and earnings inadequacy
Current Population Survey labor force	89,616	------	------
Discouraged workers (less students age 16-21 and persons age 65 and over)	+ 585	------	------
Adjusted labor force	90,201	------	90,201
EEI components			
(1) Unemployed	4,755	------	------
Less students age 16-21 and persons age 65 and over	- 866	------	------
Adjusted unemployed	3,889	-1,371	2,518
(2) Net discouraged workers	682	------	------
Less students age 16-21 and persons age 65 and over	- 97	------	------
Adjusted discouraged workers	585	- 133	452
(3) Employed full-time, full-year at less than poverty earnings (less students age 16-21 and persons age 65 and over)	2,076	- 179	1,897
(4) Employed intermittently at less than poverty earnings (less students age 16-21 and persons age 65 and over)	3,702	- 240	3,462
(5) Employed part-time involuntarily at less than poverty earnings	2,309	------	------
Less students age 16-21, persons age 65 and over, and persons counted in item 4	- 311	------	------
Adjusted employed part-time involuntarily	1,998	- 814	1,184
Total	12,250	-2,737	9,513
Subemployment and EEI index	13.6%	------	10.5%

Source: Tabulations based on Current Population Survey data.

5. Involuntary part-time workers. There were 2.0 million persons working part-time involuntarily for economic reasons who were not students, were less than 65, and were not counted among the intermittently employed low earners.

Adding these components, there were a total of 12.3 million subemployed in March 1974 out of the 90.2 million in the adjusted labor force, yielding a subemployment rate of 13.6 percent. Among these were 2.7 million persons living in households with above average incomes in the preceding year and therefore with questionable needs. Eliminating these from the subemployed left 9.5 million with inadequate employment and earnings. The EEI index was, thus, 10.5 percent.

Employment and Earnings Inadequacy--1974

Because of the very severe recession, the EEI figures for March 1975 are not representative of post World War II experience. Comparison of conventional unemployment data and EEI would be distorted by the deep 1975 economic slump. However, conditions in March 1974, when the unemployment rate was 5.3 percent, were more representative of post World War II experience. A study of the contrasts between CPS and EEI data should yield some insights about the potential value of the proposed measurement.

Components

Though unemployment substantially exceeded 1960 levels, the unemployed accounted for only a fourth of all persons with inadequate employment and earnings in March 1974 (Table 2). More than a third of the non-

Table 2. Components of the EEI index, March 1974 (thousand persons)

	Subemployed	Percent screened out	EEI	Percent of subemployed	Percent of EEI
Total	12,250	22.1	9,533	100.0	100.0
Unemployed	5,089	35.2	3,298	41.5	34.6
Discouraged workers	585	22.7	452	4.8	4.7
Low-paid fully employed heads	2,076	8.6	1,897	16.9	19.9
Intermittently employed heads with less than poverty earnings	3,702	6.3	3,468	30.2	36.4
Employed part-time involuntarily	1,998	40.7	1,184	16.3	12.4

Source: Tabulations based on current Population Survey data.

student, nonelderly unemployed were members of households with above-average incomes and were not counted in the EEI index. Two-fifths of the involuntarily part-time workers were also screened out by the upper adequacy standards.

The low-paid fully employed heads accounted for a fifth of persons with inadequate employment and earnings, while the intermittently employed represented a third. The size of these low-earning groups is explained by several facts. Poverty among full-time working heads results from a combination of low wages and large families; intermittency compounds these difficulties by adding periods with no earnings. Many of the unemployed were affected by two or more spells of joblessness. Where the household heads earned less than poverty wages, it was very rare that earnings of other family members or alternative sources of income lifted the household to an above-average income. In terms of numbers, then, low earnings and intermittent employment accounted for twice the hardship as unemployment.

Employment Problems and Income

The EEI counts all persons with labor market problems and then screens out those who do not have severe income needs. This screening out process is vital in order to measure labor market related economic hardship.

The unemployment rate alone is not a very good measure of hardship. The unemployed in March 1974 (less students and the elderly) had a mean household income in the previous year of $11,443, or only 15 percent less than that of the total labor force (Table 3). The average

Table 3. Income and poverty status of the subemployed and persons with inadequate employment and earnings, 1973

	Subemployed	Persons screened out	Persons with inadequate employment and earnings	Incidence of poverty among subemployed	Incidence of poverty among persons with inadequate employment and earnings
Total	$9,844	$19,158	$5,364	31.9%	41.1%
Family heads	7,747	18,735	5,728	34.6	41.0
Wives	12,781	20,859	8,305	7.5	11.7
Other relatives	14,309	23,432	7,648	15.7	27.7
Unrelated individuals	2,926	9,415	1,933	59.2	68.3
Males	8,530	18,350	5,595	31.7	41.1
Females	8,441	20,204	5,187	32.1	41.0
Whites	8,958	19,411	5,477	28.4	37.9
Blacks	6,419	16,291	5,006	45.2	51.6
Metropolitan residents	8,833	20,360	5,552	31.2	40.0
Nonmetropolitan residents	7,777	17,149	5,030	33.1	42.8
Unemployed	11,443	19,844	6,869	16.9	26.1
Discouraged	10,057	22,010	6,540	26.4	34.1
Fully-employed low earning	5,898	17,534	4,800	50.8	55.6
Other low earning heads	6,851	17,026	6,007	51.5	55.0
Involuntarily part-time employed	12,566	23,094	7,750	6.7	11.3

Source: Tabulations based on Current Population Survey data

income of the unemployed excluded in calculating the EEI was $19,844. This would hardly qualify in anyone's book as hardship. The discouraged and involuntary part-time workers also included many with dubious needs.

The screening process was especially important for wives and other relatives. Many of the unemployed were secondary jobseekers in families with substantial incomes. On the

other hand, unrelated individuals with employment problems were more likely to face hardships because there was usually no one else to support them. Overall, the use of an income screen yielded an average annual EEI income of $5,364 compared with $8,446 for the subemployed and the proportion in poverty for the two groups was 41 and 32 percent, respectively, while 17 percent of all the unemployed were poor.

Who Bears the Burden?

The incidence of inadequacy varies significantly among different groups (Table 4). Some

Table 4. Characteristics of subemployed and inadequately employed, March 1975

	Percent of subemployed	Percent subemployed screened out	Percent of EEI	EEI rate
Family heads	51.6	15.5	36.1	13.3
Wives	15.2	35.7	12.6	5.9
Other relatives	15.5	62.1	11.6	5.8
Unrelated relatives	17.6	13.3	39.6	18.0
Males	36.9	22.9	36.5	9.9
Females	63.1	21.7	63.5	11.6
White	78.0	23.0	78.1	9.1
Blacks	19.4	12.5	21.9	15.2
Metropolitan residents	63.5	22.2	63.7	9.7
Nonmetropolitan residents	36.5	21.3	36.3	12.6

Source: Tabulations based on Current Population Survey data.

of the differences--those between blacks and whites and those between metropolitan and nonmetropolitan residents--reflect straightforwardly the diversity of their employment problems. Other differentials--those between the sexes and between persons with differing family status--are in part definitional since only household heads are included in the low earnings categories.

The EEI for blacks in March 1974 was 2.6 times that for whites, or more than the 2.1 ratio of adjusted unemployment rates. The unemployment rate clearly understates the disparity in hardship. Only an eighth of unemployed whites were poor, compared to a third of blacks; two-fifths of the former were in households with above-average income, compared to a fifth of the latter. Blacks were more frequently low earners and discouraged workers. In all categories, they were less likely to be in households with above-average incomes. A fourth of the subemployed whites were screened out by the upper income standard, compared to an eighth of blacks. Yet the average household income of blacks with inadequate employment and earnings was a tenth less than that of whites; half of the blacks compared to less than two-fifths of whites were living in poverty.

Whatever their relative position, there is no doubt about the severity of blacks' employment and earnings. Among black female family heads, the EEI was a staggering 56.0 percent and among unrelated females 32.5 percent. With such limited chances of success in the labor market, it is easy to understand why many find welfare an acceptable option.

According to the EEI, inadequacy is a sixth higher among female than male labor force participants. The difference would be greater if wives were included in the low-earnings categories. Two-fifths of women heading families had inadequate employment and earnings, more than four times the rate among male heads. Women in the adjusted labor force were 36 percent more likely to be among the unemployed in the EEI, 64 percent more likely to be employed part-time involuntarily, and 70 percent more likely to be discouraged and in a household with below-average income.

The EEI yields a different picture of the spatial distribution of hardship than the unemployment rate. In March 1974, 70 percent of the jobless resided in metropolitan areas compared with 64 percent of persons with inadequate employment and earnings. While the unemployment rate was virtually identical inside and outside SMSAs, the EEI in metropolitan areas was 2.9 percentage points less than in nonmetropolitan areas where low earnings were much more prevalent.

The EEI, 1968-1975

The EEI index has been calculated for March 1968 through 1975. This was a particularly turbulent period. It opened with a tight labor market which had attracted numerous secondary workers into the labor force. The major concern was with structural problems remaining after a lengthy boom. Social expenditures were rising rapidly and welfare had become a major political issue. Inflation was intensifying, as prices followed the Phillip's curve pattern. At the end of 1969, a decline in Vietnam war spending and some domestic belt-tightening to control inflation led to a substantial rise in unemployment. Recovery began in 1972 and became vigorous in 1973. Whether because the rebound was too rapid or because of exogeneous factors, inflation shot upwards and unemployment did likewise. By March 1975, forced idleness had reached massive proportions. What light does the EEI shed on these economic fluctuations?

Patterns of Change

There are several considerations in using the index to assess secular and cyclical changes. The upper adequacy screen, based on mean income, rises over time with inflation and any real gains, while the poverty threshold used as a lower screen in the earnings categories is adjusted only for changes in the cost of living.

Over a lengthy period, the relative well-being of persons screened in and screened out will change depending on the rate of increase in real income (which was slight between 1968 and 1975). The definition excludes persons 65 years old and over and students age 16 to 21 years as well as wives and other family members from the low earning categories. Secular changes in the composition of the work force may, therefore, influence the EEI (just as they affect the meaning of the unemployment rate).

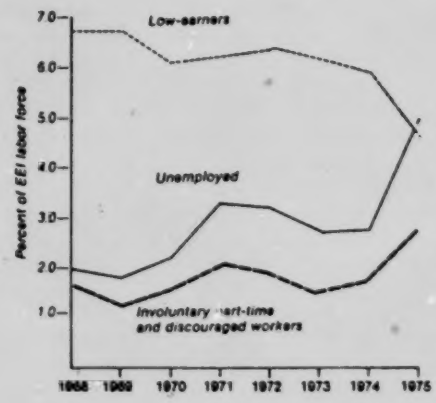
In interpreting cyclical changes, it is important to remember that the EEI's employment-related components--unemployment, discouragement, and involuntary part-time employment--are based on the current status in the survey week, while the earnings-related components are based on income over the preceding 12 months. Labor market changes are picked up immediately in the employment-related segments, but the earnings impacts lag.

Despite these complications, the EEI provides some useful perspectives on labor market developments between 1968 and 1975. As expected, the pervasiveness of economic hardship is affected by business conditions and fluctuates with the level of unemployment. The unemployment rate declined between 1968 and 1969, rose the next two years, and fell somewhat between 1971 and 1973. It levelled off between 1973 and 1974, then increased dramatically in 1975. The directions of change in the EEI were precisely the same (Table 5).

The important difference was that the EEI index fluctuated less than the unemployment rate. In the recessionary 1970s, the EEI index rose only a fourth above the 1968 level compared to a 140 percent increase in the CPS-reported unemployment rate. The unemployment rate rose 31 percent between 1969 and 1970, while the EEI index increased only 2 percent. In the subsequent recovery, the rate of joblessness declined 15 percent between 1972 and 1973, while the EEI index went down by 9 percent.

Two major factors explain these differences. Unemployment is only one segment of the hardship total (27 percent in 1974). Any percentage change in this component alters the EEI by a lesser percentage. The other factor is because the unemployed tend to be drawn from low-earning workers who may otherwise be counted in the EEI. Many intermittently employed may be included in the EEI because of low earnings even before they are forced into complete idleness (Chart 1). This offsets

Chart 1
EEI components as percent of adjusted labor force, 1968-1975



the fact that the number of discouraged and involuntary part-time workers also tend to increase with unemployment. Hardship is not just a cyclical problem. Though worsened by recession, it exists in serious dimensions even in what we have come to consider the best of times.

The Recession's Impact

The 1975 recession was the severest economic dislocation since World War II. The number of unemployed rose from a seasonally

Table 5. Unemployment and the EEI, 1968-1975

									Year-to-year changes						
	1968	1969	1970	1971	1972	1973	1974	1975	1968-1969	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
Persons with inadequate employment and earnings (thousands)	8,099	7,752	8,184	9,647	9,942	9,189	9,513	12,196	-347	432	1,463	295	-753	324	2,683
CPS unemployed (thousands)	2,929	2,746	3,733	5,175	5,215	4,512	4,755	8,359	-183	987	1,442	40	-703	243	3,604
CPS unemployment rate (percent)	3.8	3.5	4.6	6.3	6.1	5.2	5.3	9.1	-8	31	37	-3	-15	2	72
EEI index (percent)	10.4	9.8	10.0	11.6	11.5	10.5	10.5	13.2	-6	2	16	-1	-9	0	26

Source: Tabulations based on Current Population Survey data.

adjusted total of 2.7 million in December 1968 to 4.2 million in October 1973 after the relatively mild setbacks at the start of the decade. Unemployment then peaked at 8.3 million in May 1975. Yet, there was surprisingly little public clamor over this slump--no riots, no large-scale marches on Washington, not even much rhetoric. The Republican administration continued to claim that inflation was the number one enemy, while Democrats with an overwhelming majority in Congress introduced only modest countercyclical programs while failing to override the vetoed spending measures. What was the reason for this quiescence?

The EEI offers one explanation. This index suggests that economic hardship did not increase as sharply as unemployment. In 1969 the EEI stood at 9.8 percent and it was 10.5 percent in 1974, after recovery from the short recession. In 1975 the EEI rose to 13.5 percent. But if inadequacy had risen proportionately with joblessness, more than a fourth of the labor force would have faced economic hardship in March 1975.

As indicated, rising unemployment has a somewhat delayed effect because the intermittent employment category is based on the previous year's experience. Reflecting widespread joblessness in 1975, and the persisting high unemployment into 1976, the EEI total will probably rise further. Yet the 1975 index should give a good indication of the recession's impact. Unemployment had risen precipitously during the final quarter of 1974, from 5.0 million in October to 6.1 million in December, and to 8.4 million by March 1975. The rise in unemployment at the end of the year had limited impact upon total earnings during the year.

Between March 1974 and 1975, the number of unemployed rose by 3.5 million after excluding the elderly and students (Table 6). If

Table 6. Changes in adequacy and inadequacy, March 1974-1975 (thousand persons)

	Adequacy 1974	Adequacy 1975	Percent increase	EEI 1974	EEI 1975	Percent increase
Total	17,230	17,113	99.7	9,513	12,179	28.2
Unemployed	3,889	7,363	89.3	3,513	4,663	86.5
Discouraged	165	1,153	97.1	632	826	87.7
Low-paid fully employed	2,076	2,121	2.2	1,897	1,899	----
Intermittently employed	3,702	3,278	-11.7	3,442	3,052	-11.8
Involuntary part-time workers	1,408	1,076	68.1	1,184	1,736	46.6
Percent of adjusted labor force	13.93	18.38		18.98	13.38	

Source: Tabulations based on Current Population Survey data.

the unemployed in households with above-average income are not counted, the increase was only 2.1 million. The proportion of the unemployed screened out by the upper income standard remained constant at 36 percent in 1974 and 1975. In March 1975, 62 percent of the 2.7 million excluded unemployed were wives or other relatives, and 10 percent were unrelated individuals.

While many victims of recession did not have serious needs, the conditions of others with already inadequate employment and earnings situations deteriorated even more. Workers with intermittent employment in the previous year fell 290,000 between 1974 and 1975. The number of low-paid fully employed household heads did not change noticeably. This pattern was somewhat different than in the previous recession when the number of fully employed heads declined precipitously while the intermittently employed family heads increased. It might be surmised that the extended slack labor market had already trimmed the ranks of the low-paid workers in stable jobs, and the victims of the major slump were those who had already been affected by intermittent idleness.

The number of discouraged workers in households with below-average income rose by four-fifths between 1974 and 1975 to a level six times that in 1969. Many workers experienced shortened work-weeks, and the number employed part time involuntarily increased by half to double the 1969 level.

Overall, then, the total with inadequate employment and earnings increased by 2.7 million, a fifth less than the increase in the number of unemployed. The proportion of the adjusted labor force with inadequate employment and earnings rose only by a fourth, compared to the 72 percent rise in the unemployment rate. Even in the most severe business downturn since the Great Depression, the continuing structural problem of hardship far outweighed the cyclical impacts. While headlines focused on the rise in unemployment, the increase in deprivation due to low earnings was much less and this may explain the limited social unrest generated by the economic downturn. The corollary, of course, is that when unemployment recedes it should not be assumed that the real problems have been eliminated.

A Perspective on Racial Progress

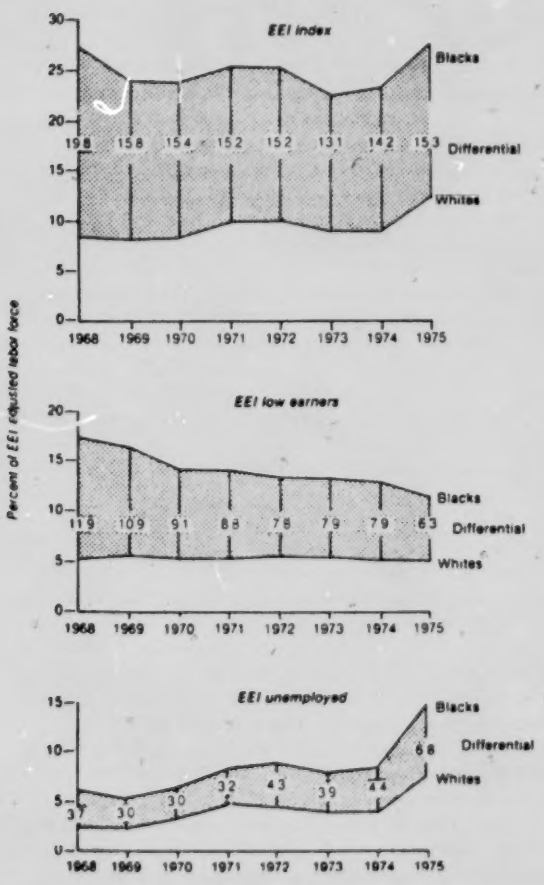
In the 1960s there was a concerted effort to improve the employment status of minorities through manpower programs and equal employment opportunity action. The tight labor market provided a conducive climate, since those at the end of the labor queue tend to move up relatively, as well as absolutely, in good times. In the 1970s the government's commitment slackened, or, at least, its rhetoric favored a policy of benign neglect. The gainers in the tight labor markets become the losers in the recession. What, then, has been the end result for minorities?

The official unemployment statistics tell a not too pleasant story. Joblessness declined in 1969 to 3.1 percent for whites and 6.4 percent

for nonwhites. The respective rates deteriorated to 7.8 and 13.9 percent in 1975. The nonwhite/white unemployment ratio fell from 2.1 to 1.8, but the unemployment rate differential increased from 3.3 to 6.1 percentage points. If nonwhites had done as well as whites in 1969, 295,000 more would have been employed in 1969 and 553,000 more in 1975.

The victims of unemployment and low earnings even in prosperous times have little to loose in economic slumps. Accordingly the EEI shows no further deterioration in the conditions of blacks between 1968 and 1975. The index for blacks remained virtually unchanged at 28 percent compared with a sharp increase from 8.5 to 12.5 percent for whites. The black/white inadequacy ratio declined from 3.2 to 2.2, while the gap was reduced from 19.8 to 15.3 percentage points. Before the severe economic setbacks of 1974, inadequacy was falling quite rapidly among blacks, reaching a low of 22.2 percent in 1973, compared to the upward drift of the white rate (Chart 2).

Chart 2
Incidence of low earnings, unemployment, and and inadequacy for blacks and whites, 1968-1975



The relative improvement for blacks is related to a decline in low earnings. The percentage of blacks in the adjusted labor force earning less than a poverty level wage fell from 17.3 percent in 1968 to 13.0 percent in 1974, while for whites the proportion declined only from 5.4 to 5.1 percent. The proportion for blacks went down even further to 11.4 percent in 1975, but this was probably due to increased joblessness among the otherwise intermittently employed.

Some blacks who would have had inadequate employment and earnings abandoned the labor force in preference to income support or other activities not counted as work by the Current Population Survey. As defined by the EEI index, the black male participation rate fell from 77.3 percent in 1968 to 72.6 percent in 1974, while the white male rate fell by .8 percentage points to 78.5 percent. If the decline for blacks had been the same as for whites, and the differential had all been added to the ranks of those with employment problems, the black EEI would have been 26.3 rather than 23.3 percent in 1974. This is an extreme assumption, however, and it does not deny that those leaving the labor force (including, for instance, many males receiving disability insurance or early retirement) were better off than in low-paying jobs. On the whole, then, it would appear that despite the lack of aggressive public efforts in the 1970s, some absolute and relative progress was made before the massive recession.

An Economic Hardship Measure

The Employment and Earnings Inadequacy index demonstrates the feasibility and usefulness of a measure which considers the impact of unemployment, discouragement, low-earnings, involuntary part-time and intermittent work on household well-being. The EEI is an exploratory formulation; the controlling constraint was the need to base calculations on currently available data. The underlying relationships are likely to persist, however, in any reasonable measure of labor market-related economic hardship.

The Utility of the EEI

In normal times the jobless are a minority of those who might reasonably be considered in need. On the other hand, many unemployed do not face serious economic hardships. Indeed some are very well off. The EEI clearly demonstrates that there are many employed persons who do not rise above the poverty threshold, even if they work at full capacity. The unemployment rate is, therefore, a poor hardship measure. Substituting EEI concepts

for traditional unemployment data suggests greater concentration of need outside metropolitan areas. The EEI also highlights the still dismal labor market prospects of blacks, especially black female family heads.

The data for 1968 through 1975 reveal consistent patterns of relationship between the components of the EEI. When joblessness rises, many low earners and intermittent workers are the victims. On the other hand, many of the additional unemployed are screened out by the upper adequacy standard; these are mostly secondary workers in households with above-average incomes. Hence, the inadequacy index fluctuates much less than the unemployment rate. Even during the worst recession since the 1930s, the EEI rose modestly, perhaps explaining why the "social dynamite" that might have accompanied widespread joblessness never exploded. There is some evidence that the gap between blacks and whites closed between 1968 and 1975, though this was achieved by white setbacks rather than black gains over the period.

In brief, the EEI provides a reasonable and comprehensible assessment of needs. It seems to be a consistent measure, making sense when analyzed over time. Most importantly, it provides significant insights into labor market realities. Why, then, has no such measure been refined and officially tabulated to supplement the unemployment rate?

Inexcusable Procrastination

Based on earlier works by Secretary of Labor Willard Wirtz in 1967 and 1968, by the staff of the Senate Subcommittee on Employment, Manpower, and Poverty in 1972, and previous EEI calculations, Congress recognized the value of a needs index and directed the Department of Labor to "develop preliminary data for an annual statistical measure of labor market related economic hardship in the nation" (Section 312 (c) of the 1973 Comprehensive Employment and Training Act). In the 1975 Manpower Report of the President, the Labor Department reported on its progress: "considerable conceptual work must be done in the development of statistics on economic hardship. When satisfactory definitions and criteria have been developed, ways to use these in analyzing economic hardship and underemployment can be examined (p. 189)." Translating this bureaucratic jargon: no data had been collected and no new definitions tested. This remains the case today.

It is difficult to rationalize the failure of BLS to carry out the clear congressional mandate. The "conceptual work" in developing, analyzing and presenting the EEI for 1968-1975 amounted to less than one-half a man-year. A number of improvements and alternatives have been proposed which could be tested with little effort. The cost of developing the computor program, calculating the index for the eight years, and running several validation tests was less than $10,000. The incremental cost of calculating the index for any given year is $500. The shortage of conceptual or financial resources in the Department of Labor is clearly not the real constraint.

The lack of progress simply reflects a lack of priority. The administration was understandably reluctant to admit that conditions might be worse than already staggering unemployment rates suggested (although, paradoxically, the index would have demonstrated that conditions did not deteriorate as severely in 1975 as unemployment tallies indicated). The massive increase in joblessness diverted attention to other issues. But even more basically, administration economic policy shapers were apparently opposed to the underlying concepts of a needs index which would focus attention on deep-seated structural economic problems.

Can We Ignore Hardship?

The EEI and other economic hardship measures are based on the notions that: (1) the inadequacy of earnings is as important as the availability of employment; (2) unemployment and earnings problems are interrelated and compounded for a significant minority of all workers; (3) the gravity of employment problems is primarily related to their impact on household income; and (4) those with the most severe problems are the ones who should be given attention. In contrast, the prevailing view of the many policymakers in the first half of the 1970s seemed to be that any job was better than no job, that low earnings due to intermittent work was a reflection of limited work commitment, and that earnings provided in the labor market could somehow be divorced from family income needs.

These arguments which tried to explain away hardship sound disturbingly like the pre-depression neoclassical theories which dismissed mass unemployment as a transitional phenomenon. Problems do not disappear simply because we refuse to recognize them. Just as a new set of statistics were introduced in the late 1930s to measure unemployment, it is necessary to overhaul and supplement current economic indicators. The unemployment data are not an adequate measure of economic hardship. The need is to attack the problems of wage adequacy and intermittent work by focusing public efforts on work force participants who face economic deprivation in good times as well as in recessions. A first step is to develop and refine a measure of labor market-related economic hardship.

XI. YOUTH UNEMPLOYMENT: TOWARDS A COMPREHENSIVE SOLUTION

A PAPER BY

LAMOND GODWIN
DIRECTOR OF FIELD SERVICES
NATIONAL RURAL CENTER

YOUTH UNEMPLOYMENT: TOWARDS A COMPREHENSIVE SOLUTION

By

Lamond Godwin

Unemployment has been a serious and persistent problem in the United States in the post World War II period. Since 1946, the national unemployment rate has averaged 5 percent and has dropped below that level only five times. (See Table 1.) By 1975, unemployment had drifted upward to the highest level recorded since the Great Depression. Nine million Americans who were willing, able, and actively seeking employment were unable to find jobs.

Above all else, unemployment is a problem of human resource waste. Human labor is the most perishable of all resources. What is not embodied in the production of goods and services today cannot be stored for future use -- it is lost forever. Therefore, to the extent that millions of Americans are unable to develop and/or utilize their productive capacities, the nation's standard of living is lower than it could and should be. For example, by the end of 1975 the gap between actual and potential gross national product was more than $150 billion. (See Figure 1.)

But unemployment is much more than an economic efficiency issue. Numerous studies have documented that increases in the level of unemployment are accompanied by increases in the rates of poverty, crime, family dissolution, incarceration in penal institutions, welfare dependency, commitments to mental institutions, infant mortality and suicide.[1/] Moreover, because unemployment is heavily concentrated among low income groups and non-whites, it is also an instant source of social strain and racial and ethnic group conflict.

What is even more disturbing is that the official unemployment rate actually understates the seriousness of the problem, both in terms of the quantity and quality of employment opportunity, in several important ways. First, it does not include workers who have given up the search for employment because they have given up hope of finding it, or those who must work part-time because they cannot

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1/ See Testimony of Harvey Brenner in Hearings before Joint Economic Committee, Sub-committee on Employment, Atlanta, Georgia, December 8, 1975, (Washington, D. C.: U. S. Government Printing Office), forthcoming 1976.

find full-time jobs. Nor does it include those who are working full-time but earning so little that they are unable to rise above the poverty line.

My assigned topic focuses on a small but important facet of the human resource waste problem in the United States. More specifically, this paper discusses the nature and causes of joblessness among youth, and outlines in broad strokes my views concerning the essential ingredients for a comprehensive approach to the solution of the unemployment problems of this segment of the labor force.

Youth unemployment deserves special high-priority attention because the rate of unemployment for youth has been consistently higher than that for the workforce as a whole, and the problem is getting steadily worse. (See Table 2.) The unemployment rate for teenagers has not been less than 10 percent since 1953; and between 1957 and 1962, the unemployment rate for workers between 16 and 19 was three times higher than that for the labor force as a whole. Between 1962 and 1968, it was more than five times higher; and between 1968 and the present, when the national rate increased steadily from 3.6 to 8 percent, the teenage rate rose from 13 to 21 percent.

Unemployment in the next older group (i.e., 20-24) has been consistently lower than that for teenagers but also consistently higher than that for workers between 25 and 65. (Table 3)

For analytical purposes, youth unemployment like unemployment in general can be classified into two basic types: cyclical unemployment which occurs because there is insufficient aggregate demand for goods and services to provide employment for the nation's labor force regardless of how skilled or well developed it is, and structural unemployment which occurs when the unemployed are mismatched with existing job vacancies because they do not have the right skills, live in the wrong locations, do not have adequate information about jobs, choose not to accept available jobs, or because they are discriminated against on the basis of some personal characteristic (race, sex, age, religion) unrelated to their qualifications and productivity.

Youth are disproportionately affected by cyclical down-turns in economic activity for a variety of interrelated reasons. One obvious reason is the fact that, in recent years, the supply of young workers in the labor market has increased rapidly at times when total employment was decreasing. For example, in 1970 on the eve of a recession, there were 56 percent more American workers under age 25 in the labor market than in 1960. This problem was seriously compounded by the simultaneous influx of millions of young illegal aliens, mainly from Mexico. Although precise figures are not available, it has been estimated that

illegal aliens accounted for at least 10 percent of the growth in the labor force during the 1960's.

The concentration of young workers in the blue collar occupations (see Table 4) also is an important factor because, as Table 5 illustrates, the impact of recessions, even the serious ones which occurred in 1958 and 1961, was negligible for professional and technical workers, managers, and administrators but was quite serious for laborers and operatives. In short, the recession years were full-fledged depressions for the unskilled and semiskilled.

However, even during periods of prosperity, the rates of unemployment for youth remained much higher than those for other workers because of a variety of structural factors. At any given time, some proportion of youth unemployment, particularly teenage unemployment, is due to the fact that young workers are "shopping around" in the labor market. Typically, in their first year or two of employment, they will switch jobs several times before they satisfy themselves that they have done as well as they can expect. (See Table 6.) With experience, then marriage and home ownership, this shopping around comes to an end. This explains in part why the unemployment rates for 20-24 year old workers is significantly lower than that for teenagers. (Table 3.)

At the same time, there are other more serious causes of the mismatch between young workers and jobs. Since the 1950's there has been a pronounced shift in the nature of demand for labor in the U. S. More and more, employers are requiring personnel with greater skills and better education, and all studies show that the demand for unskilled and semiskilled workers is decreasing steadily and rapidly. Although today's youth are better educated and trained than previous generations, the gap between their employment competencies and the structure of demand for labor is widening.[2/] This problem is particularly acute for high school dropouts.

Moreover, several studies have documented that the amount and quality of labor market information are important factors in youth unemployment.[3/] For example, inadequate information is a particularly

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2/ Dennis Gallagher, "Community Efforts to Link Education and Work," From School to Work: Improving the Transition, a collection of policy papers prepared for the National Commission for Manpower Policy (Washington, D. C.: U. S. Government Printing Office, 1976).

3/ Herbert S. Parnes and Andrew I. Kohen, "Labor Market Experience of Non-College Youth: A Longitudinal Analysis," From School to Work: Improving the Transition, a collection of policy papers prepared for the National Commission for Manpower Policy (Washington, D. C.: U. S. Government Printing Office, 1976).

serious problem for rural youth, because rural labor markets are poorly organized, making it difficult for workers to find out about jobs and for employers to find out about workers. In part, this is because there are fewer public or private agencies to provide labor market information. Many rural areas are not even served by state employment service offices. Union referral halls and newspaper want-ads also are non-existent in many rural areas.[4/]

Geography also contributes to youth unemployment in other ways. Because the mobility of youth who are in school or who live with parents is much more restricted than that of other workers, those who live in depressed rural areas or in inner city ghettoes where jobs are extremely scarce are at a distinct disadvantage in the search for employment. This problem is compounded by the inadequacies of public transportation systems.

Racial discrimination in all its many forms is another obvious and serious structural cause of youth unemployment. The rate of unemployment for black teenagers increased more than 6 times as fast as the rate for white teenagers between 1954 and 1974, and in June of 1976 the official black teenage unemployment rate was a shocking 40 percent compared with a rate of 18 percent for white teens. These racial differentials are expected to continue to widen because of the changing racial composition of the teenage labor force. The number of white teenagers in the labor force increased by 46 percent during the 1960's but is expected to increase by only 5 percent between 1970 and 1980. In sharp contrast, the black teenage labor force is expected to grow by 44 percent during this decade, nearly as rapidly as the 49 percent which occurred during the previous decade.[5/] These projections indicate that youth unemployment is becoming increasingly a problem of race.

This brief summary of the nature and causes of youth joblessness could be extended, but should be sufficient to show that this problem is complex and requires a comprehensive solution.

4/Ray Marshall, Rural Workers in Rural Labor Markets (Salt Lake City, Utah: Olympus Press), 1974.

5/U. S. Department of Labor, Manpower Report of the President, 1972 (Washington, D. C.: U. S. Government Printing Office, 1972), p. 3.

Significantly, the rate of youth unemployment in the United States has been much higher than that for Japan and most European countries even though American youth have higher levels of education and lower labor force participation rates.[6] Despite the hazards of cross-national comparisons, these international differences in the levels of youth unemployment highlight what, in my opinion, are some of the most serious obstacles to the reduction of the high levels of youth unemployment in the United States.

In part, unemployment in general, and youth unemployment in particular, have been lower in Europe and Japan than in the United States because of the much higher priority given to the achievement and maintenance of tight labor markets in these nations. For example, even during the relatively prosperous decades of the 1960's, the national average rate of unemployment in the U. S. was 5 percent compared with rates of 0.6 for West Germany; 1.3 for Japan; 2.0 in France; 3.1 in England and 1.7 in Sweden.[7] Sustained full employment has been achieved in Sweden, Japan, and some European countries mainly because these countries have generally accepted the Swedish view that no percentage level of unemployment is acceptable. In most of these nations, national economic planning for full employment is required by law; and manpower policy is carefully integrated with economic, educational, health, regional development, and other national policies. Coordination of economic planning for full employment is centralized at the national level, usually in a single agency with broad powers. In sharp contrast, there is no firm commitment to full employment in the United States. Even the modest commitments made in the Employment Act of 1946, which requires that the federal government adopt policies to maintain "maximum employment, production, and purchasing power," have been consistently ignored; and President Ford has recommended that even this weak commitment be further weakened.[8] Indeed, we have now reached the point where we no longer have a clear conception of

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[6] Franz A. Groemping, "Transition from School to Work in Selected Countries," reprinted by U. S. Bureau of Labor Statistics, Washington, D. C., August, 1969, from Report of the Princeton Manpower Symposium (Princeton, N. J.: Princeton University Press).

[7] Ibid.

[8] The President's Energy Program recommendations contained in his 1975 State of the Union Message.

the meaning of full employment. In the late 1940's, full employment was interpreted as 3 percent unemployment; then it crept up to 4 percent, then 5, and now we seem to be headed towards a definition of 6 or 7 percent as an acceptable level of unemployment. Most European workers would be enraged by a 4 or 5 percent level of unemployment, and in some of these countries mass demonstrations for full employment have been staged when unemployment reached 3 percent. By contrast, there has been a noticeable lack of protest in the U. S. to the high and increasing levels of unemployment in recent years. One reason for this is the prevailing belief in this country among workers as well as policy makers that unemployment and inflation are so inexorably and inversely related that we can achieve full employment only by causing inflation. The assumption that there is a trade-off between inflation and unemployment has become a self-fulfilling prophecy which is the cornerstone of macro-economic policy in the U. S. and the major source of economic instability in the post World War II period. Melville Ulmer described this problem very succinctly:

> ...the fact is that not once in the three decades since World War II ended have we experienced an economic situation that could reasonably be called stable. Choose any year and you will find that it was characterized by either excessive unemployment or inflation. Nor can this failure to attain balance be attributed to naive lapses in the application of Keynesian doctrine.
>
> The fiscal and monetary policies associated with that doctrine have been followed in the United States, loosely or strictly, ever since the Truman Administration, though they have never lived up to their flamboyant billing. Whenever the economy has been pumped up to reduce unemployment, inflation has developed. When business activity has been squeezed to retard inflation, unemployment has risen. And the economy has been rocking like a seesaw as the famed Keynesian fiscal and monetary measures have been brought into play to do first one, then the other. Full employment without inflation has never been achieved, not even for a short period. Never since World War II have we had full employment, if what I would consider an entirely honest standard -- a 2 percent unemployment rate -- is the criterion. But judged even by the conventional 4 percent unemployment rate, periods of full employment have been confined to the inflationary aftermath of World War II and the more "overheated" portions of the Korean and Vietnam wars.

Ulmer, like Ray Marshall,[9] is convinced that exclusive reliance upon monetary and fiscal policies to achieve full employment is self-defeating mainly because these strategies have the effect of generating inflationary pressures in the labor markets for highly skilled workers long before they can reduce unemployment in the markets for the unskilled and semiskilled where most young workers, racial minorities, and other disadvantaged workers are concentrated. Therefore, both are convinced that full employment without inflation is possible if monetary and fiscal policies are supplemented with a wide variety of selective employment and training measures to eliminate specific structural barriers in specific labor markets and to create public jobs for workers who do not have adequate employment opportunities.

As is well known to this audience, numerous experimental employment and training or manpower programs were launched during the 1960's and 70's. For example, federal expenditures for manpower programs increased from $450 million in 1969 to $2.6 billion by 1970 and more than $9 billion by 1976. (See Table 7.) Although they were generally cost-effective for the government and the people who participated in them, these programs did not substantially reduce unemployment or increase the skills of the unemployed because they were experimental and small relative to need. Manpower expenditures never accounted for more than 2 percent of the federal budget, and manpower programs never reached more than 1 percent of the labor force.[10] Moreover, in too many instances these programs were ineffective in increasing the skills of the unemployed because their duration was too short. Many of those trained were unable to find employment after being trained, and several of these programs were really income maintenance programs and not employment programs. The widespread existence of urban bias in program content, delivery mechanisms, and allocation formulas also was a serious defect which caused rural workers to benefit much less than they could have from federal manpower expenditures.[11] There also was considerable waste, duplication, and

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[9] Melville Ulmer, "Mr. Nixon and the Market's Last Stand," Challenge, November/December, 1973, p. 24.

[10] Ray Marshall, "Full Employment: The Inflation Myth," Federationist, August, 1976, pp. 6-10.

[11] Ray Marshall, Rural Workers in Rural Labor Markets, op. cit.

inefficiency in the administration of manpower programs. There is general agreement among manpower experts that the programs needed to be decategorized and decentralized, although there is much less agreement over how this should be accomplished and the appropriate roles for federal, state, and local government and the public and private sectors. Despite the passage of the Comprehensive Employment and Training Act (CETA) of 1973, which sought to decategorize and decentralize manpower programs, these issues remain largely unresolved.

Significantly, unemployed youth were a major target of these experimental efforts. For example, in 1974 60 percent of all enrollees in federal manpower programs were less than 22 years old and more than half of all manpower expenditures were for services to young workers. Robert Taggert, one of the nation's leading manpower policy experts, recently examined the impacts of several of the employment and training programs for youth and reported the following results:12/

> In summary, employment and training programs for youth have had the following impacts:
>
> Most teenagers handicapped by poverty, limited education, or race have been served at some point during their difficult transition years.
>
> By providing jobs and diverting youths from the labor force, manpower programs significantly lowered the measured rate of teenage unemployment throughout the year but especially during the summer.
>
> With their focus on minorities and the disadvantaged, employment and training programs have altered the distribution of teenage unemployment, or have at least kept the disparities from being greater.
>
> Neither year-round nor summer efforts expanded rapidly enough to offset the secular rise of youth unemployment; aid has diminished relative to need since the late 1960's.
>
> Only a small minority of participants (roughly one in six) were offered, or stayed long enough to benefit from, a level of services that could reasonably be expected to alter their lives.

12/Robert Taggart, "Employment and Training Programs For Youth," From School to Work: Improving the Transition, a collection of policy papers prepared for the National Commission for Manpower Policy (Washington, D. C.: U. S. Government Printing Office, 1976).

> The success in reducing future labor market problems has been modest. The long-run gains of the minority of youths receiving more intensive services may be enough to justify most programs in a benefit/cost sense, but averaged over all youths the effects are very marginal.

The basic conclusion which emerges from the experience with manpower programs in general and manpower programs for youth in particular is that, despite the inadequacies of past and present programs, the logic of these programs has not been disproven and many lessons have been learned which can be used to design an effective array of employment and training strategies to complement monetary and fiscal policies in a comprehensive program to achieve full employment.

The most promising development in the direction of a comprehensive effort to bring together all that was learned from the experiments with manpower programs during the 1960's and 1970's is the Full Employment and Balanced growth Act of 1976, now pending in the Congress. This legislation, which was introduced by Senator Hubert Humphrey and Representative Augustus Hawkins, would amend the Employment Act of 1946 and would require that the federal government guarantee the right to employment for all Americans able, willing, and seeking employment. The Humphrey-Hawkins Bill establishes a mechanism for national economic planning to achieve full employment and balanced growth which requires the active participation of the President, the Congress, and the Federal Reserve Board. The major goal of the planning process would be to reduce unemployment to 3 percent within four years and then keep it below that level. To the extent that employment opportunities are not available in the private sector, job opportunities would be created through federally operated public employment projects, in private non-profit projects, and in a special national youth employment program. The President's Council of Economic Advisors would be required to prepare a Comprehensive Full Employment and Balanced Economic Growth Plan which would be the basis for the President's recommendations to the Congress. The Joint Economic Committee is required by the bill to make specific recommendations to Congress on numerical goals for employment and purchasing power and must submit to the various budget committees its recommendations on the most appropriate fiscal and monetary policies. The bill also requires that the President establish programs to deal with regional unemployment including incentives for private firms to locate in depressed rural areas and inner cities. Equal employment opportunity and non-discrimination are required in the bill, and the payment of prevailing wages or federal, state, or local minimum wages is required. The U. S. Employment Office would be renamed

the Full Employment Service and would have a Job Guarantee Office where a person unable to find employment on his own could obtain a job in any one of several public and private job projects. Such employment projects would be developed by local planning councils that would identify local employment generating activities designed to meet local needs. The most controversial aspect of the bill is the provision that individuals who feel that their right to employment has been violated would be able to seek redress through administrative procedures and, if necessary, through the federal courts.

The Youth Employment provisions of the bill require action in three specific areas: (1) the development of programs to facilitate the transition from school to work, (2) the development of programs to provide job training and counseling to disadvantaged youth, and (3) the expansion of jobs for youth in conservation and public service.

The Humphrey-Hawkins Bill has been severely criticized, however, as Ray Marshall has demonstrated.[13/] Most of the major criticisms of this proposal are invalid. For our purposes, the real significance of this piece of legislation is that it establishes a firm commitment to full employment as a national objective and civil right and establishes a process for determining a number of possible program mixes to alleviate unemployment. Within this framework, a wide variety of specific measures could be adopted to reduce excessive unemployment among youth.

13/ Ray Marshall, "Full Employment: The Inflation Myth," op. cit.

TABLE I. UNEMPLOYMENT IN THE UNITED STATES

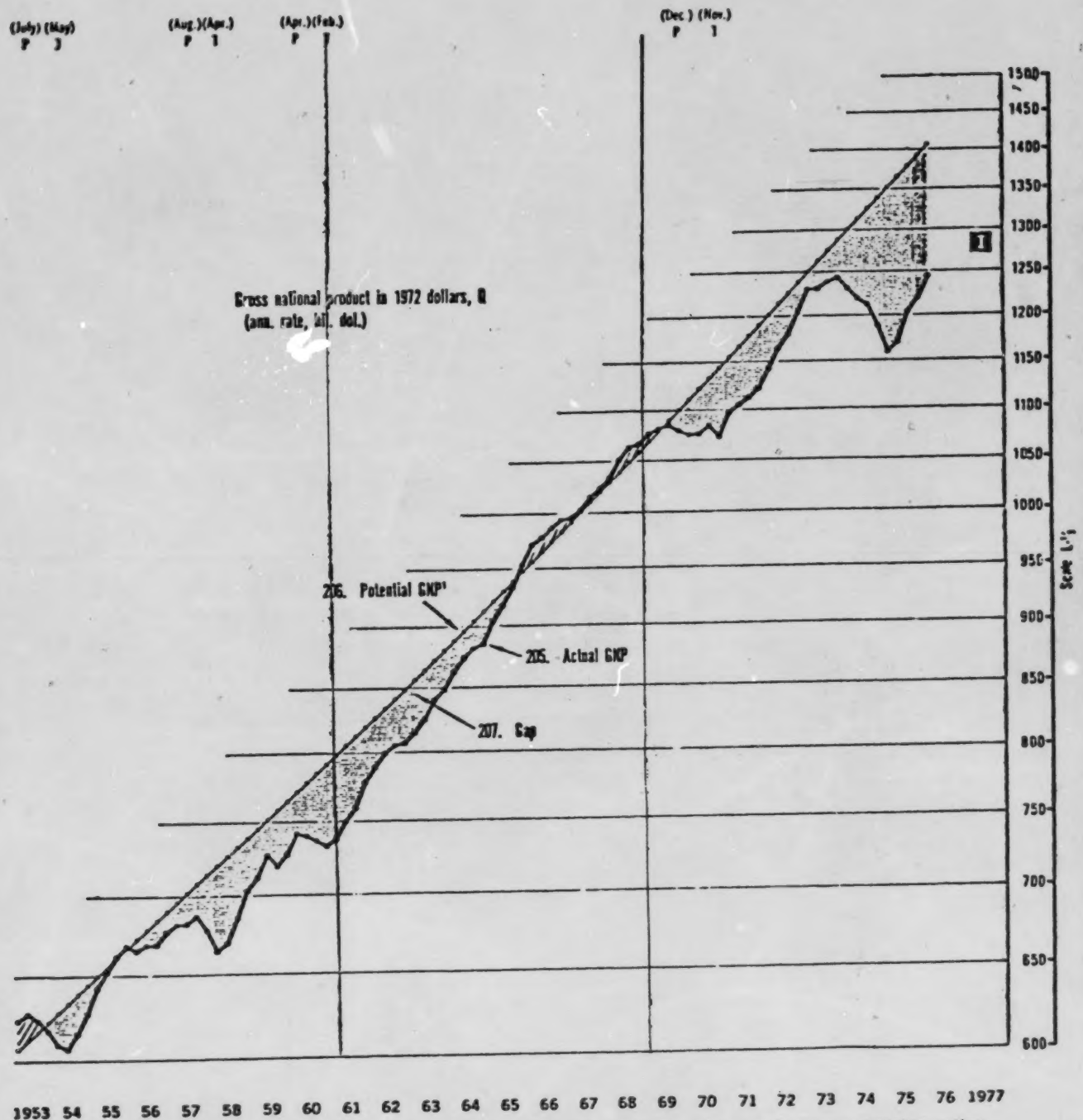
1946-1974

Year	Percent Unemployed*	Year	Percent Unemployed
1946	3.9%	1960	5.5%
1947	3.9	1961	6.7
1948	3.8	1962	5.5
1949	5.9	1963	5.7
1950	5.3	1964	5.2
1951	3.3	1965	4.5
1952	3.0	1966	3.8
1953	2.9	1967	3.8
1954	5.5	1968	3.6
1955	4.4	1969	3.5
1956	4.1	1970	4.9
1957	4.3	1971	5.9
1958	6.8	1972	5.6
1959	5.5	1973	4.9
		1974	5.6
		Jan. 1975	8.2

SOURCE: Employment and Earnings, Vol. 21, January 1975, Table A-1, P. 20

*Unemployed as percent of civilian labor force. Prior to 1947, persons 14 years and over; from 1947 on, persons 16 years and over.

FIGURE 1 ACTUAL AND POTENTIAL GROSS NATIONAL PRODUCT



Current data for these series are shown on page 98. ¹Trend line at 3.5 percent per year (intersecting actual line in middle of 1955) from 1st quarter 1952 to 4th quarter 1962, 3.75 percent from 4th quarter 1962 to 4th quarter 1968, 4 percent from 4th quarter 1968 to 4th quarter 1975, and 3.75 percent thereafter. See special note on page 95.

Source: Business Conditions Digest, May 1976

TABLE 2 YOUTH UNEMPLOYMENT, BY COLOR 1948-1974, and January 1975*

Year	16 Years and Over	16 to 19 Years		
		Total	White	Nonwhite
1948	3.8%	9.2%		
1949	5.9	13.4		
1950	5.3	12.2		
1951	3.3	8.2		
1952	3.0	8.5		
1953	2.9	7.6		
1954	5.6	12.6	12.1%	16.6%
1955	4.4	11.0	10.4	15.6
1956	4.1	11.1	10.1	18.1
1957	4.3	11.6	10.6	19.1
1958	6.8	15.9	14.4	27.4
1959	5.5	14.6	13.1	26.1
1960	5.5	14.7	13.5	24.3
1961	6.7	16.8	15.3	27.7
1962	5.5	14.7	13.3	25.3
1963	5.7	17.2	15.5	30.3
1964	5.2	16.2	14.8	27.3
1965	4.5	14.8	13.4	26.5
1966	3.8	12.8	11.2	25.4
1967	3.8	12.9	11.0	26.3
1968	3.6	12.7	11.0	24.9
1969	3.5	12.2	10.7	24.1
1970	4.9	15.2	13.5	29.1
1971	5.9	16.9	15.1	31.7
1972	5.6	16.2	14.2	33.5
1973	4.9	14.5	12.6	30.3
1974	5.6	16.0	14.0	32.9
Jan. 1975*	8.2	21.4	19.1	41.7

Source: Employment and Earnings, Vol. 19, February 1973, pp. 179, 180, 186, and 190; Employment and Earnings, Vol. 21, January 1975, Table 5, p. 141; Employment and Earnings, Vol. 21, February 1975, Table A-3, pp. 28-29; and U.S. Department of Labor, Bureau of Labor Statistics, Employment and Unemployment in 1973, Special Labor Force Report 163 (Washington, D.C.: Government Printing Office, 1974), Table A-6, p. A-10.

*Seasonally adjusted, monthly average.

TABLE 3

Unemployment and Unemployment Rates of Persons 16 to 24 Years Old and 25 Years Old and Over by Age, Sex, and Color, U. S. Selected Years 1950-69
(Numbers in thousands)

	1969	1965	1960	1955	1950
			Unemployed persons		
ALL RACES					
16 and 17 years	436	411	326	211	226
18 and 19 years	416	463	387	239	287
20 to 24 years	560	556	584	396	561
25 years and over	1,419	1,937	2,556	2,009	2,215
WHITE					
Males					
16 and 17 years	198	200	167	114	124
18 and 19 years	145	186	174	117	153
20 to 24 years	214	254	295	196	321
25 years and over	580	917	1,352	1,051	1,296
Females					
16 and 17 years	153	129	106	67	75
18 and 19 years	164	138	128	74	94
20 to 24 years	218	183	161	108	145
25 years and over	588	634	682	526	537
NEGRO AND OTHER					
Males					
16 and 17 years	46	47	34	20	15
18 and 19 years	51	46	51	23	26
20 to 24 years	56	87	74	52	56
25 years and over	114	210	339	282	249
Females					
16 and 17 years	39	35	19	10	12
18 and 19 years	56	43	34	25	14
20 to 24 years	72	62	54	40	39
25 years and over	137	176	183	150	133
			Unemployment rates		
ALL RACES					
16 and 17 years	14.5	16.5	15.6	12.3	13.6
18 and 19 years	10.5	13.5	14.1	10.0	11.2
20 to 24 years	5.7	6.7	8.7	7.0	7.7
25 years and over	2.2	3.2	4.4	3.6	4.4
WHITE					
Males					
16 and 17 years	12.5	14.7	14.6	12.2	13.4
18 and 19 years	7.9	11.4	13.5	10.4	11.7
20 to 24 years	4.6	5.9	8.3	7.0	7.7
25 years and over	1.6	2.5	3.8	3.0	NA
Females					
16 and 17 years	13.8	15.0	14.5	11.6	13.8
18 and 19 years	10.0	13.4	11.5	7.7	9.4
20 to 24 years	5.5	6.3	7.2	5.1	6.1
25 years and over	3.0	3.6	4.2	3.7	NA
NEGRO AND OTHER					
Males					
16 and 17 years	24.7	27.1	22.7	14.8	12.1
18 and 19 years	19.0	20.2	25.1	12.9	17.7
20 to 24 years	8.4	9.3	13.1	12.4	12.6
25 years and over	2.9	5.5	9.1	8.0	NA
Females					
16 and 17 years	31.2	37.8	25.7	15.4	17.6
18 and 19 years	25.7	27.8	24.5	21.4	14.1
20 to 24 years	12.0	13.7	15.3	13.0	13.0
25 years and over	4.6	6.4	7.3	6.9	NA

U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 4

Employed Persons 14 to 24
by Occupation Group and Sex:
U. S., 1969 (Annual Average)

(Numbers in thousands)

	Both Sexes			Male			Female		
	14-24	14-15	16-24	14-24	14-15	16-24	14-24	14-15	16-24
Total	16,755	1,319	15,436	9,230	788	8,442	7,524	530	6,994
White Collar Workers	7,238	272	6,966	2,642	214	2,428	4,595	58	4,537
Blue Collar Workers	5,859	298	5,561	4,969	284	4,685	890	14	876
Service Workers									
Total	2,931	555	2,376	1,000	135	865	1,933	421	1,512
Private Household ..	762	364	398	27	15	12	734	349	385
Other	2,171	191	1,980	972	120	852	1,198	71	1,127
Farm Workers ..	726	193	533	619	155	464	106	37	69

U.S. Department of Labor Bureau of Labor Statistics.

Table 5. UNEMPLOYMENT PERCENTAGE RATES

		Most Skilled		Least Skilled	
Year	All Workers	Professional and Technical Workers	Managers and Administrators	Laborers, Nonfarm	Operatives
1972	5.6	2.4	1.8	10.3	6.7
1969	3.5	1.3	0.9	6.7	4.4
1966	3.8	1.3	1.0	7.4	4.4
1961	6.7	2.0	1.8	14.7	9.6
1958	6.8	2.0	1.7	15.1	11.0

Source: Bureau of Labor Statistics

TABLE 6

Unemployed Persons by Reason for Unemployment, by Sex, Age, and Race: U. S., 1967-69

Reason for Unemployment	Number Unemployed (in thousands)			Percent distribution of unemployed			Unemployment Rate		
	1969	1968	1967	1969	1968	1967	1969	1968	1967
Reentered labor force	180	173	158	22.6	21.2	18.2	.4	.4	.4
Never worked before	20	19	21	2.5	2.3	2.4	.0	.0	.1
Female, 20 years and over	806	768	846	100.0	100.0	100.0	3.4	3.4	3.8
Lost last job	265	267	318	32.9	34.8	37.6	1.1	1.2	1.5
Left last job	137	131	138	17.0	17.1	16.3	.6	.6	.6
Reentered labor force	363	332	354	45.0	43.2	41.9	1.5	1.5	1.6
Never worked before	41	38	36	5.1	4.9	4.2	.2	.2	.2
Both sexes, 16 to 19	660	644	653	100.0	100.0	100.0	10.7	11.0	11.3
Lost last job	96	100	114	14.5	15.5	17.5	1.6	1.8	2.0
Left last job	79	74	75	12.0	11.5	11.4	1.3	1.3	1.3
Reentered labor force	224	214	228	33.9	33.2	34.9	3.6	3.7	4.0
Never worked before	260	256	236	39.4	39.8	36.2	4.2	4.4	4.1
NEGRO AND OTHER RACES									
Total	570	590	642	100.0	100.0	100.0	6.4	6.7	7.4
Lost last job	200	221	243	35.1	37.4	37.8	2.3	2.5	2.8
Left last job	79	85	91	13.9	14.5	14.2	.9	1.0	1.1
Reentered labor force	198	190	205	34.7	32.2	32.0	2.2	2.2	2.4
Never worked before	93	94	103	16.2	15.9	16.0	1.0	1.1	1.2
Male, 20 years and over	168	179	194	100.0	100.0	100.0	3.7	3.9	4.3
Lost last job	101	116	123	60.2	65.2	63.6	2.2	2.5	2.8
Left last job	24	26	30	14.1	14.8	15.6	.5	.6	.7
Reentered labor force	36	32	36	21.4	18.2	18.7	.8	.7	.8
Never worked before	7	3	4	4.3	1.9	2.1	.2	.1	.1
Female, 20 years and over	209	217	242	100.0	100.0	100.0	5.8	6.3	7.2
Lost last job	69	74	83	33.1	34.1	34.1	1.9	2.2	2.4
Left last job	33	36	41	16.0	16.4	17.0	.9	1.0	1.2
Reentered labor force	92	91	100	43.9	41.8	41.3	2.6	2.6	3.0
Never worked before	15	17	18	7.0	7.7	7.6	.4	.5	.5

Table 7. OUTLAYS FOR MICROEMPLOYMENT PROGRAMS (MILLIONS)

Program	1964	1976	1970	1973	1974	1975	1976(est)
TOTAL	$ 450	$1,775	$2,596	$4,952	$4,666	$6,177	$9,053
Department of Labor							
U.S. Employment Service	181	276	331	431	390	423	482
MDTA-Institutional	93	221	260	358			
Job Corps	---	321	144	188			
JOBS	---	---	86	104			
Jobs Optional	5	53	50	73			
NYC In-School	---	57	58	73			
NYC Summer	---	69	136	220	1,419[1/]	2,118	2,690
NYC Out-of-School	---	127	98	118			
Operation Mainstream	---	9	42	82			
Public Service Careers	---	---	18	42			
Concentrated Employment Program	---	1	164	129			
Work Incentive Program	---	---	67	177	218	304	365

See footnotes at the end of table

Table 7. OUTLAYS -- continued

	1964	1967	1970	1973	1974	1975	1976(est)
Public Employment Program	---	---	---	1,005	598	1,083	3,035
Program Administration, Research, and Support	23	118	143	209	162	168	196
Department of Health, Education, and Welfare							
Vocational Rehabilitation	84	215	441	636	755	885	807
Work Experience and Training	---	120	1	---	---	8	9
Other Programs							
Veterans' Programs	12	19	141	292	351	352	355
Other Training and Placement Programs	15	116	277	382	377	341	545
Employment-related Child Care	37	53	141	433	398	495	569

1/Programs now authorized by Comprehensive Employment and Training Act. Source: U.S. Office of Management and Budget. From: Levitan, Mangum, and Marshall, Human Resources and Labor Markets: Labor and Manpower in the American Economy, Harper and Row Publishers, revised edition, 1975, Table 12-1, updated January 1976.

XII. YOUTH UNEMPLOYMENT BRIDGE JOBS AND NATIONAL POLICY

A PAPER BY

WILLIAM J. SPRING
DIRECTOR
BOSTON UNIVERSITY REGIONAL INSTITUTE
ON EMPLOYMENT POLICY

YOUTH UNEMPLOYMENT, BRIDGE JOBS AND NATIONAL POLICY

By

William J. Spring

Thomas Bradley of Los Angeles, Maynard Jackson of Atlanta, and Coleman Young of Detroit have a number of things in common. They are liberals. They are black mayors of large American cities. They are talking tough on crime, teenage crime.

A recent newspaper article in the Boston Herald pointed out that crime and vandalism by young blacks is a main reason for the flight of retail business and small manufacturing from the inner city.

The author recommended certain jail for two-time losers (more than half the crimes are committed by young men who have been arrested for two or more previous offenses, he said), and serious consideration for John Connally's suggestion of compulsory national service for the unemployed youth.

It was high unemployment among young school leavers in Detroit that led James B. Conant to warn about "social dynamite" in our cities, and led Hubert Humphrey to propose back in 1957 a reviving of the C.C.C. and N.Y.A. programs of the 1930's.

According to press reports, last month in Detroit gangs of black teenagers invaded Cobo Hall and terrorized the patrons of a rock concert for an hour before police intervened.

Hubert Humphrey's efforts were unsuccessful in 1957, but his program became S. 1 of the Congress meeting in January, 1961, as, with the impassioned support of Attorney General Robert F. Kennedy, the administration committed itself to doing something about youth unemployment, hopelessness, and crime. S. 1 didn't pass, either, but its major provisions were enacted into law as Title I of the Economic Opportunity Act in 1964. Thus, the nation began a twelve-year effort to assert federal responsibility for the problems of youth unemployment. And that effort, including all of its frustrations, brings us to this conference, this fall in Atlanta.

The terror in the streets of Detroit -- where east side food store cashiers operate behind bullet-proof plexiglass -- marks the failure of that effort to achieve notable success to date.

That failure can be laid to three separate areas: first, the failure to maintain a full employment economy, especially in the inner city areas; second, the failure to understand the stages of youthful development, attempting to make 17-year-olds behave like 25-year-olds; and third, the failure of the society's institutions, schools, vocational and academic, market place institutions like the employment service, and employers to cooperate as fully as they might in making the school-to-work transition smoother.

By far, the most serious failure is the failure to reach and maintain full employment. And this is too seldom discussed among professionals in the field. By far the least important is the failure of "coordination" among institutions. Just as training alone does not create jobs, so coordination alone is not a job creation program.

This paper will discuss the youth employment situation in historical perspective, consider the stages of life for modern American youth as they relate to the labor market, and consider the impact of institutions. In conclusion, I shall suggest for discussion a possible program agenda.

We must begin with the recognition that adolescence is a relatively new phenomenon -- that is, until the maturing of industrial civilization children moved to adulthood -- and full adult economic responsibility-- at approximately puberty. Note that Bar Mitzvah comes at 13. In agricultural societies, young people worked the fields and trades. Early industrial revolutionary times created mass childhood labor. In Massachusetts in 1820, 43 percent of all textile workers were children; in Rhode Island, 55 percent. We now begin our employment statistics with those over 16. Why? Well, child labor began to fade out about the time the nimble fingers and slight frames of childhood were no longer needed to move the great wheel of industry.

Youth employment patterns, then, changed rapidly after 1900. Child labor in factory was prohibited; child and adolescent attendance in school increased. In 1900, only 6.4 percent of seventeen-year-olds had graduated from high schools. By 1940, the figure was 50.8 percent.

As Paul Osterman of Boston University points out in his perceptive thesis on youth and work, the current pattern of four years of high school was already the dominant trend in the Middletown observed by the Lynds in the 1920's.

During and after World War II, there was another major wave of immigration to the nation's major cities. Only this time, the migrants came through the bus terminal rather than Ellis Island. And in the wake of this wave of migrants, youth unemployment began to rise sharply -- and with it youth crime -- leading to the awakening interest in youth

employment problems in the late 1950's and early 1960's.

The Progressives began with a concern for poor immigrant children. In the 1950's, youth-oriented manpower policy began with the failure of the schools to help the children of migrants from the South. Programs were devised in the 1920's which were then used as a pattern for the reform of all education. And now the education reforms that began out of concern with poor inner-city youth are discussed in the context of revising all community activity to help youth.

In the progressive era, the idea was to get young people out of the destructive, exploitative industrial atmosphere into therapeutic schoolrooms.

And now, ironically, it's an effort to get young people out of demoralizing, unrealistic schools into the real-life, learn-by-doing atmosphere of industry and commerce.

There may indeed be a tide in the affairs of men, but it seems to be a tide that moves now in, now out, carrying with it fashions of social thought that are as repetitive as they are strong. Are we that sure that working at relatively low-paying, repetitive jobs is that much more rewarding than any school atmosphere we could devise?

In his thesis, Osterman applies to the transition from education to work those understandings of the movement from childhood to adulthood that Erik Erikson has found to underlie this process in all cultures. These stages Osterman labels moratorium, exploration, and settling down.

Young men (and there were only men in Osterman's sample) in the moratorium period, roughly 15 to 17 years of age, are not as yet seriously interested in career jobs. They are interested in money sufficient to play a role among their peers. Often they live at home. And they are in what we commonly call the "youth" job market: flipping hamburgers, washing cars, retail sales, taking casual jobs at low pay. (Unfortunately, there are those, minority members and older women especially, for whom such jobs become careers because they can get no better.) Interviews with young men and with employers in Boston, Cambridge, and Worcester, Massachusetts, and a careful evaluation of the Parnes Data indicate that this pattern is well-nigh universal -- that young men under the age of 18 take secondary labor market jobs as a matter of course, first as part-time work while they are in school, and then for a year or so after they leave on a full-time basis, but often shifting among jobs.

Osterman's point is that this behavior, in the modern world, is in some sense natural, and that the effort to instill in such young men the attitudes toward steadiness and career concern expected and almost universally found in 25-year-olds is unlikely to be met with much success.

It poses a very difficult problem for those who see the youth unemployment problem as one "caused" by young men and women changing jobs much more often than adults. Many seem to feel that if only 17 and 18-year-olds had better labor market information, they would shift jobs less often. It is very likely, however, that this is simply not so, that young people in their moratorium period are working at casual jobs for casual labor wages, and the problem is not primarily lack of skills or lack of information or lack of motivation, but simply their stage of life in a complex technological society.

The sixteen-year-old clothing store clerk who told Osterman that "I don't need much money, just enough to buy a good used motorcycle," may have been speaking for an entire age group.

The trouble comes when even such low paid jobs are in scarcity, or, because of unemployment elsewhere in the economy, older workers are locked into these entry level jobs. Many a letter to the editor -- or op-ed piece in the New York Times -- bewails the plight of college graduate young men and women forced to take secondary labor market jobs because better cannot be found.

The next stage, for slightly older youth, say 18 to the early 20's, is the exploratory stage, when, having passed through the period when one's attention is most seriously focused on the peer group, young people begin attempting seriously to find a place, a career in the world. During this stage, many of the most successful of non-college youth find jobs in small businesses -- machine shops and auto body repair operations where training is available under the close supervision of the owner of the establishment.

Osterman found in interviews with larger firms in Worcester that the small machine shops are the feeders, not only of materials but also of personnel, to larger firms. Larger firms that do not expect specific training do expect a mature attitude and general acquaintance with machines and machine shop procedure.

The small shop provides a number of things that young men in an exploratory phase are looking for: informal and close supervision, informal personnel policies, casual employment, and the chance to learn the trade. For the owners, who cannot afford to pay for highly skilled workers, youth workers offer reciprocal advantages.

Finally, after a period of exploration, often involving work in a number of small shops, young workers in the early 20's are ready to settle down, and do so when they are able to find jobs that offer advancement and security. It is at this stage that they are apt to find employment with larger, more profitable firms, with complex internal labor markets, and become steady workers, husbands, fathers, and solid citizens.

If Osterman's applications of life-stage development to the problems of employment are accurate -- and the Parnes data, giving work histories of thousands of young men, and his interviews in cities of Massachusetts indicate that they are -- what implications have they for manpower policy?

First, the hard fact of the matter is that young men do not go from high school graduation to life-time employment. And efforts of manpower policy, or vocational education policy to foster a quick transition, are pretty surely doomed to failure. The transition takes a good deal of time. And during the transition, youth do and will continue to seek jobs in the secondary labor market. Many have deplored this. But perhaps work in secondary jobs that provide income during the moratorium period is a good thing. Nearly half of the high school graduates now go on to college, lengthening their years when self and world exploration take precedence over economic contribution to the age of 22. Is it not to be expected that working class youth will attempt to find an equivalent of this extended moratorium period?

Probably the key element in determining the length of the moratorium period -- as for the very existence of such a luxury -- is the demand for full-time, well-paid labor in the economy as a whole. If there is a real demand for labor at good wages and with a good future, then young workers will be more quickly drawn through their moratorium and exploratory stages.

The key to the transition from secondary labor market moratorium jobs to primary career jobs is the bridge jobs that perform the function that educators would like to see the schools carry out, jobs with smaller manufacturing operations in particular. In the balance-of-state prime sponsor in Massachusetts, where I serve on the Prime Sponsor Council, we find that the best O.J.T. placements are with relatively small firms of the "bridge" type that Osterman identified. However, vacancies in these bridge jobs are usually filled through information networks of relatives and friends. The Employment Service plays little or no role. And minorities -- whose parents and uncles seldom are found running such establishments -- have less chance of finding such work. Thus, the patterns of labor market discrimination are perpetuated by the very structure of advancement. Although

technically subject to the Civil Rights Act, as a practical matter small shops have little to fear from already overburdened civil rights enforcement officials.

Since Hubert Humphrey first called for action to help the nation's inner-city youth with their unemployment problems, we have followed three separate, if blurred, strategies: training, community institution building, and direct job creation.

Training has included the Job Corps in three flavors: urban residential, rural (conservation) residential, and urban non-residential. The Neighborhood Youth Corps, also in three varieties -- summer, in-school, and out-of-school -- has been mixed with training and job creation, but with the emphasis primarily on the latter.

Community institution building has been various indeed, starting with Mobilization for Youth in N.Y.C., a prototype of the community action agencies throughout the CAPs to CETA, a redirection of the employment service in the mid 1960's, a substantial increase in the funding for vocational education, a new focus on "career education" through the public school systems, and now, serious thought about building new institutions in the local community to bring school, employment service, and employing community closer together to foster the transition from school to work. Former Labor Secretary W. Willard Wirtz's name is most frequently associated with that idea.

Finally, job creation has included primarily the summer Neighborhood Youth Corps, the year-round Neighborhood Youth Corps, work experience programs, and a smallish share of public service employment opportunities.

We now also have the suggestion for a compulsory military-style training program and work program. Finally, we have been asked to consider what would be in effect a universal, voluntary VISTA program of paid volunteers (perhaps Sargent Shriver's greatest contribution to the bag of domestic policy options was the concept of the paid volunteer) for all young Americans.

The concept of a national service corps breaks apart when you try to think through a program to embrace both the college student bent on a year of service and the ghetto school dropout trying to cope with a very unpromising future. Compulsion and the threat of death in battle make this uneasy mixing of classes possible in the Army, if not always a gentle and brotherly mixing. The practical means of doing it in peacetime and on a volunteer basis confound me. Also, the question must be raised as to why the federal government ought to devote any very considerable resources to the support of the children of the middle class. It is one thing to ask individual institutions to open themselves

for the participation of middle class young people, it is quite another to ask the federal government to undertake that organization -- and the cost -- itself.

Of all the efforts of the past 12 years to solve the problems of unemployment through tinkering with the institutions in some ways, the saddest is that of the employment service. Re-directed in 1966 to serve the young and the disadvantaged, it saw its placement rates fall drastically and its cost per placement rise. It found itself attempting to place young workers that primary firms were unwilling to take, and it found itself still accused in poverty communities of being part of the racist's superstructure of an unjust society. It is now attempting to recover; but is a long way from being a very effective institution in the labor exchange business, and as several studies have borne out, plays a nearly negligible part in the placement of youth.

Vocational education, like the employment service, has gotten a consistently bad press for not doing what in all likelihood cannot be done: placing of moratorium stage youth from poverty backgrounds into primary sector jobs.

The establishment of Community Education/Work Councils, as urged by Mr. Wirtz, could be very useful indeed, especially if they were built from the start toward organizing community resources around work and training issues represented by the Comprehensive Employment and Training Act prime sponsor councils rather than in competition with them. However, insofar as there is hope that better information and coordination will lead to markedly better economic conditions, such councils will prove another disappointment.

The effort to lower the unemployment rate by convincing young people to act as if secondary jobs were primary, and as if they themselves were at the settling down stage, is probably doomed to failure. Even if it could work, it would not make a serious difference. It would represent an effort to attack the statistic (high youth job turnover) rather than the problem (poor career job opportunity for maturing young workers).

The most remarkable thing in the relationship between maturing youth and education labor market institutions is how badly they fit together. Maximum concern for career education is being devoted to students not yet ready for career decisions. Youth are ready to settle down some years after the high school years are completed. Years of academic "regimentation" ought to have prepared young men and women to fit docilely into their assigned niches on the economic order of things, if Marxist critics of American education are correct.

In fact, they do not. After 12 years of enforced (more or less) punctuality and order-taking, the young tend to move into casual work attachment. Wise employment and training policy ought to work with this situation rather than attempt to fly in its face.

We must start with the realization that there is no way in which training and community organization can substitute for job availability. If there are not enough jobs to go around, then there will be unemployment, as President Coolidge used to say. Unemployment is not a function of a poorly performing employment service, vocational education system, or the young themselves. It is a function of economic activity in the nation and, even more importantly, in the labor market. Then we must plan our strategy to conform with realities that cannot be changed, especially realities like the stages of youth development as the impact on the labor market.

One successful program in the Boston area is run by the Boston High School on Newbury Street, a school for vocational school dropouts. At the Boston School the transition of secondary to primary jobs is replicated through the school system. Students in all four years go to school part-time and to paid employment part-time. They begin work in their freshman year in menial jobs -- washing dishes, delivering messages. Each year their employment stations improve in pay, status, and future prospects. Seniors who stay with the program find themselves working in the First National Bank of Boston and other job sites with strong futures. What Joseph Ippolito, headmaster of the Boston School, has done -- and without benefit of reading Professor Osterman's thesis -- is to reproduce the stages of the natural labor market progression within the educational program of the Boston School.

Can it be reproduced on a larger scale? Very hard to do. It would require dedicated teachers and, especially, dedicated job developers. And long before job slots of this quality and this progression would be developed for all or even a substantial majority of the Boston Area teenage workforce, potential slots would have been exhausted. But the school provides a model of what might be done and the direction that manpower policy for teenage workers ought to take.

The cooperative education program, in which earning and training opportunities are made available in area businesses -- as in Cleveland, for instance -- offer promise of replicating the stages of casual, exploratory and settling down experience as part of the regular vocational high school curriculum.

Whether or not these efforts can actually telescope what normally takes until the early 20's to accomplish remains to be seen. Evaluations of the value of vocational education (see Beatrice Reuben in "Vocational Education for All?" Work and the Quality of Life, O'Toole, ed.) are

another question. At least they can succeed in making the educational process more informative.

We also, of course, need more and more accurate labor market information. The need goes beyond the current fragmentary reports on unemployment rates, openings on the job bank, and middle-range employment occupational forecasts. We need unemployment and subemployment data by inner city on a regular basis; for if we don't know with some precision how serious the problem is, it is hard to know how to act. We need current vacancy data in much more detail than is now available, and six month forecasts, by skill, pay, and firm size. But we also need specific information on work histories of young men and young women in particular labor markets so that education about careers for young school leavers will not simply be a promotional walk-through the local tap-and-die, but also will make clear and rational what is now only street corner gossip: who gets what jobs and how, and how to find good jobs in particular neighborhoods.

Extremely localized labor market information -- how the labor market functions, now a mystery to all participants -- is the cornerstone on which intelligent manpower policy must rest, insofar as manpower policy as opposed to employment policy can make a difference.

We must end where we began, with unemployment, with Detroit, Los Angeles, and Atlanta. In 1970, as part of the decennial census, a careful survey was taken in the inner-city labor markets of some 51 American communities. The following table shows the S.M.S.A. unemployment rates and the teenage (16-21) unemployment rates for the inner-city areas for these cities:

Table 1. UNEMPLOYMENT RATES

	1970 SMSA	Inner-city Teenage
Detroit	7.0%	32 % (m & f)
Los Angeles	7.0	25 (m & f)
Atlanta	3.7	17.7 (m) 24.9 (f)

We do not have accurate inner-city teenage unemployment rates for these cities for 1975, but we do know the 1975 SMSA rates.

Table 2. UNEMPLOYMENT RATES

	1975 SMSA
Detroit	13.1 %
L. A.	9.7
Atlanta	9.0

And we know the August, 1976, unemployment rates for teenagers nationwide by race.

Table 3. AUGUST 1976 TEENAGE UNEMPLOYMENT

White	17.3 %
Black	40.2

It is very important to note that in 1969, after nearly a decade of sustained growth, the white teenage unemployment rate had fallen to only 10 percent. But black teenage unemployment stood at 24.1 percent. Full employment policies that led to effective reduction of unemployment for white teenagers still left black youngsters with unacceptably high rates.

Current data (1975 average) for poverty areas (the poorest 1.5 of census tracts) shows an unemployment rate 25.9 percent for all 16 to 19 year olds. For urban black teenagers, the rate is 40.7; and even more ominous is the fact that their labor force participation rate is only 37.7 percent, eleven points below the white teenage participation rate.

While the rates are frightening the numbers are manageable: 379,000 unemployed teenagers in both urban and rural poverty areas, 188,000 black urban teenagers unemployed (although one must keep the low labor force participation rates in mind). These numbers are annual averages. Unemployment is much higher in the summer when school is out. The point is that a nation that can provide over 700,000 summer Neighborhood Youth Corps slots can mount a substantial year-round youth employment program.

What is happening to those labor markets? Are half the young workers without any jobs? No gas to pump, no counters to wait on, no laboring jobs? Or is it that their job attachment is so short that those quitting

jobs every month drive up the measured rate? We just don't know. Do the east side young men in Detroit lack labor market information about firms with good jobs available but unable to find workers? We doubt it.

For youth in these cities, for these young people in 1976, nearly old enough to be the sons and daughters of those we failed in 1957, better vocational education, more participating in council settings by conscientious businessmen, a better organized and more responsive employment service are helpful but hardly sufficient answers. For these young people job opportunities must be created.

In so far as possible those job opportunities should realistically reflect the pattern of individual development:

...For 15, 16, and 17 year olds, programs of part-time paid work at around the minimum wage level and part-time study toward high school equivalency accomplishment as well as certification are needed.

...For somewhat older workers, full time jobs built around the bridge job concept -- small, closely supervised work crews, at decent pay with measurable skills, ideally working side by side with adults -- must be devised. As has often been said, there is plenty of work to do in the inner cities and poor agricultural areas if the political will to pay for that work exists.

As Ray Marshall of the University of Texas says when speaking of the problems of rural youth, "...to be effective a program must be based on systematic analysis and be comprehensive in scope...." A good deal of analysis has been done. But the resources for a comprehensive program have not been available. We have attempted to progress against youth unemployment problems by the same incremental steps we have attempted in other areas of social reform. Sadly, the progress of the late 1960's has been overwhelmed in the '70's by national economic policy answering to other priorities. Designing the details of such a large scale employment program and integrating it with private sector jobs and with educational institutions will be an enormous job. But we must press for a beginning.

There is real danger that the discussion and effort to establish inter-agency cooperation around the fringes of the catastrophic inner-city and rural area youth unemployment problem may obscure the need for a substantial job creation program until another generation is lost to the cycle of unemployment, poverty, and crime.

XIII. INDUSTRY-EDUCATION COLLABORATIVE EFFORTS IN YOUTH EMPLOYMENT

A PAPER BY

DONALD M. CLARK
PRESIDENT
NATIONAL ASSOCIATION FOR
INDUSTRY-EDUCATION COOPERATION

INLUSTRY-EDUCATION COLLABORATIVE EFFORTS IN YOUTH EMPLOYMENT

by

Donald M. Clark

Increasing attention is being focused on linking education and the marketplace to prepare youth for a productive role in work. It is astonishing that the effort to equip young people to find jobs should have been neglected to a significant degree until the beginning of this decade. That national career education and industry-education cooperation movements are interlocking provides a realistic base for preparing youth to move from the world of schooling to the world of work.

Career education has become a major force in providing youth with experiences while in school that relate to work and society as a whole. It is an integral part of the educational delivery system that seeks to prepare "every student to leave the school system with at least entry-level job skills or with the basic educational attainment to permit entry into further education programs."[1/] Industry-education cooperation represented by community-based advisory councils is providing the linkage required for an effective school-to-work transition.

The National Association for Industry-Education Cooperation (NAIEC) cites the need for collaborative efforts between employers and educational institutions in preparing youth for work in its Handbook: An Introduction to Industry-Education Councils:

1/U.S. General Accounting Office, Career Education: Status and Needed Improvements (Washington, D.C., 1976), p. 1.

> It has always been difficult for students to make the transition from the classroom to the world of work. Students need realistic perceptions of the world of work, and good quality, up-to-date educational programs to facilitate their entrance into that world. The ultimate success of schools depends upon their ability to provide these opportunities. The availability of such learning experiences can be increased by recognizing that work and education are so interrelated that neither can exist in isolation from the other.[2]

There are ample data to describe the negative side of the problems of equipping young people in the age groups of 16 through 21 for work. We are confronted with the situation at this time of one and one-half million young people in this age bracket who are in the labor market seeking employment but unable to find jobs. "Many simply flounder around from job-to-job, until they finally find themselves in a more or less permanent attachment to a job -- rarely from choice; more often as a function of age and force of circumstances."[3] The problem is intensified during periods of recession, as in 1975, and high unemployment. The 1976 high school graduates in record numbers continue to search for work. College graduates, in many instances, are applying for any job they can find regardless of their status as a degree holder or the principal course of study they pursued.

It seems more appropriate at this point to depart from a further elaboration of statistics on youth unemployment and consider three areas that constitute the ingredients for developing a realistic strategy for preparing youth for work:

- *changes in the marketplace affecting youth employment,
- *a suggested delivery system that focuses on school-to-work transition,
- *industry-education cooperation that links the marketplace with the schools.

The emphasis throughout the analysis is on the interface between the private sector primarily and education, considering the fact that five out of six jobs are in profit-oriented organizations today.

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[2] Industry-Education Councils: A Handbook (Buffalo, N.Y.: National Association for Industry-Education Cooperation, 1975), p. 3.

[3] Placement Services: A Training Manual (Washington, D.C.: National Association for Industry-Education Cooperation, 1976), p. 4.

The Changing Contours of the Marketplace

Change is the hallmark of today, and the marketplace is no exception. Over the next decade, we can anticipate significant changes impacting on the employment situation for youth that will require major adjustments in the educational programs focusing on school-to-work transition.

1. Technological Changes - The efficiency of our market economy is measured by productivity, the relation of output to one or more of the inputs -- labor, capital, and material resources. "Trends over the past 25 years have reflected an annual productivity rate of 3.2 percent for the total private economy."4/ Technological advances during this period have, to a large extent, resulted in a 100% increase in productivity -- a doubling of the output per hour of goods and services. Technology is the basis of increased productivity, and it was in agriculture, for example, that technological changes increased productivity to the point where there has been a loss of jobs in this sector at a rate of 200,000 during the past two decades. Other occupations have undergone significant changes due to technological advances. How does an educational delivery system respond?

2. Occupational Changes from Goods to Services - Shortly after the turn of the century, only three in every ten workers in the nation were engaged in service industries, and seven out of ten were involved in the production of goods. By 1950, there was an approximate balance in employment between goods and services. By 1968, the proportions had shifted so that six out of ten were employed in the service sector. "By 1980, with the rising predominance of services, close to seven in every ten workers will be in the service industries."5/ The youth entering the labor force during the next decade will be confronted with a situation that represents the exact reversal of the proportions between goods and service jobs in 1900. There has been a shift to services, and we are witnessing the rise of the public sector as a major area of employment.

Altogether, the goods-producing industries (agriculture, mining, construction, manufacturing) employed 29 million workers in 1968,

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4/Jerome M. Rosow, The Worker and The Job: Coping With Change (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974), p. 14.

5/Daniel Bell, The Coming of the Post-Industrial Society: A Venture in Social Forecasting (New York: Basic Books, Inc., 1973), p. 129.

and the number is expected to rise to 31.6 million by 1980. Yet their share in total employment will decline to below 32 percent in 1980, from about 36 percent in 1968. Within the service-producing sector, the most important growth area in employment since the end of World War II has been government (local, state, and federal). One out of every six workers today is employed by one of 80,000 or more governmental entities. All categories of the service-producing industries (transportation and utilities, trade, finance, insurance and real estate, services -- professional, personal, business, and government) have increased their share in total employment over the past three decades. What is apparent is that if an industrial society is defined in terms of a goods-producing society -- if manufacturing is a key factor in shaping the character of its labor force -- then this nation can no longer be considered an industrial society.

The changes in the patterns of occupations -- the kind of work people do -- are significant. This nation has become a white-collar society. Since 1920, the white-collar group has been the fastest growing occupational group in the labor force, and this trend will continue. We witnessed a turning point in 1956 -- for the first time, this group exceeded the employment of blue-collar workers. At the end of this decade, the ratio is expected to be about 5:3 in favor of the white-collar workers.

Skill requirements are increasing. In 1900, unskilled workers outnumbered managers and professionals; there were more household servants than professional workers; and one of every three blue-collar laborers lacked a skill. "Today, there are five managers and professionals for every unskilled worker; there are ten professionals for every household servant; and craftsmen and semi-skilled workers make up seven-eighths of the blue-collar work force."[6/] In view of these developments, how will our schools respond in preparing youth for work?

3. Geographic Changes - Economically, the United States is a vast common market consisting of disparate areas that are growing at vastly different rates. "As new markets spring up, the region (the South) begins to attract a broad array of industries -- from manufacturing to all of its financial, advertising, wholesaling, printing, and other support services."[7/] The "new market" areas are primarily in the South and Southwest where employment opportunities

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[6/] Sar Levitan and William Johnston, "Changes in Work: More Evolution than Revolution," Manpower (Washington, D.C.: U.S. Department of Labor, September 1973), p. 5.

[7/] "The Second Great War Between the States," Business Week (May 17, 1976), p. 92.

are growing at a significant rate as industry takes advantage of good climate and cheap land, and the availability of skills, materials and space.

The mobility of business is demonstrated by one out of six jobs today being located in three states -- California, Texas, and Florida. These states generate one out of five gross national product dollars and, along with the five Rocky Mountain States, have doubled their employment since World War II. During the next decade, it will be difficult to determine where the geographic ball will bounce. The industrial Northeast and Midwest growth rates in employment, population, and personal income are rapidly slipping -- they are areas losing momentum. The migration of industry from the high-cost urbanized North to the low-cost rural South confronts southern schools with the necessity of preparing youth for employment in a very mobile market. It also raises the point of the manpower delivery system developing programs that provide youth with skills that are needed by industry when it considers a site for its operation.

4. Educational Changes - The educational preparation of young people has undergone a major transformation over the past half century -- "the proportion of employed people with a completed secondary education has changed from a minority to a substantial majority."[8/] Consider the following data: In 1920, approximately one in six of the relevant age group graduated from high school. In 1970 the figure was about four out of five. The past half century has witnessed a dramatic change in the educational level of American workers. Instead of terminating formal education after elementary school, a predominant number of young people now entering the labor force have at least a high school diploma, and about half of all high school graduates are continuing with post secondary education, with one out of five obtaining at least a college degree.

The extra investment in increased education has given rise to increased expectations which have not been met in practice. As a result, for many workers, education has not been the route to productive job opportunities. The median number of school years completed in the U.S. in 1974 was 12.5. With the educational level increasing, a number of workers feel that their skills are underutilized on the job, and this is particularly evident among younger workers who have some college background.

[8/] Stanley E. Seashore, "The Future of Work: How It May Change and What It May Mean," ILR Report (Ithaca, N.Y.: New York State School of Industrial and Labor Relations, 1975), p. 10.

At the same time, "educational requirements will continue to rise steadily even for clerical and blue-collar workers."[9/] Further, the match between college graduates and job openings is not encouraging in the short or long term. Between 1980 and 1985, college graduates will exceed demand by about 10%. By 1985, less than 20% of all jobs will require a four year college degree. What adjustments in the total school program will be required to meet these changes?

5. Income Changes - During the past 15 years, income has advanced at a good clip. Between 1960-74, the median family income rose 35% after cost of living adjustments. With the standard of living steadily rising in the nation, there has been an increase in the demand for products and, to a much greater degree, services. The market place has now taken on the characteristics of an income service demand economy with a growth of jobs primarily in the service sector. Here again the educational system must respond to this major employment development.

6. Population Changes - Women's liberation, the pill, and increased female participation in the labor force came together in recent years, accounting for a sharp reduction in births. The elementary schools have felt the initial impact of this development. A declining birth rate will have a ripple effect that is expected to be felt in the high schools in 1977, according to the U.S. Office of Education. The drop-off in the birth rate will have an effect on colleges and universities by the early 1980's, but the changes in post-secondary enrollments are speculative, since only about 30% of 18 to 24 year-olds are presently enrolled in school and older people tend increasingly to enter or return to college.

Declining enrollments inevitably reduce the demand for teachers, despite modest changes in student-teacher ratios that help to offset some of the decrease. Continued swings of considerable magnitude in the size of elementary, high school, and college populations are in prospect during the remainder of the century. Therefore, operating at a low level of births raises the issue of "quality" rather than "quantity" in American education.

7. Manpower Changes - By 1980, there will be 100 million people available for work. A significant number represent the post-war baby crop. Even though the American economy enjoyed a long

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9/ Irving H. Buchen, "The Job Market, 1975-85," Intellect (December 1974), p. 183.

period of rapid expansion in the 1960's, reinforced by additional needs for manpower by the armed forces, the large increase in the number of teenagers and young people raised the question as to whether or not the economy can sustain sufficient growth into the 1980's to provide jobs for the available workers. In addition to the probable lack of jobs, composition of the labor force bears analysis.

Women now constitute almost 40 percent of the total work force. By 1980, it is expected that one out of two workers will be female. The impact will be most noticeable in the services sector where female participation has been traditionally centered. Two out of three women who work are married, and women with pre-teenage children are entering the labor force at a significant rate. Women have always worked for economic reasons, but now, superimposed on the economic motive, is the formidable psychological factor of self-realization. The impact is changing work values almost as much as the nature of the family.

Blacks constitute another major part of the changing labor force. Since World War II, there has been a marked and relative improvement in the employment, income, and education of blacks relative to whites due to a number of factors: a widespread public concern to reduce and remove long-established discriminatory practices, the more favorable geographic distribution of the black population, and the lack of any competing labor source. Yet, the lower level of black family income and the small proportion of blacks going on to higher education, for example, constitute disadvantages that continue to affect many blacks. By 1980, one out of seven workers will be black. Along with women, blacks constitute a significant element in the labor force.

These, then, are the major changes that form a critical mass during the next decade. It follows that efforts to develop an educational delivery system to improve the transition from school-to-work must take into account each of these factors.

Developing a Delivery System for Youth Employment

Youth employment, viewed within the context of these major changes in the marketplace, requires a strong industry-education partnership/alliance at the local level. Before suggesting an educational program that meets the needs of young people preparing to enter the world of work, it is appropriate to examine the employers' attitudes toward youth employment.

At the outset "it will come as no surprise that most business executives believe our educational system should give greater emphasis to preparation for work."[10] Most employers endorse the increased emphasis on career education and marketable skills by our elementary, secondary, and post-secondary schools. However, many employers are dissatisfied with the present performance of the schools and colleges in preparing youth for employment. It should be noted that employers express a major concern in the area of general work competencies, not about specific technical skills and professional knowledge in assessing educational institutions' performance in work preparation. Employers refer to language skills -- English, communication skills, reading, writing, etc. -- and mathematical or computational skills as competencies that are too often found deficient in the new employee.

Entry level blue-collar workers may be functionally illiterate, and clerical workers may find difficulty in spelling or punctuating at an acceptable level, and speak or write ungrammatically. Industry also cites deficiencies in non-skills aspects of work readiness, or understanding the "work place realities." These range from faulty attitudes toward work, discipline, and accomplishment to ignorance about beginning rates of pay, speed of advancement, and standards of behavior. Other deficiencies noted by industry are in interpersonal skills and various intellectual and conceptual abilities, such as analytical skills, the ability to plan, organize, or make decisions.

These are the employment needs of youth that industry considers a priority in developing cooperative programs with schools. It is career education that "gives the business community a unique opportunity to work into the school program the kinds of skills it would like to see potential employees acquire before they begin work. Business and professional people have invaluable on-the-job expertise that no education-oriented teacher can ever impart...[or] share that knowledge with students."[11]

Before an effective industry-education linkage is formed, the local school district must be committed to a comprehensive career education program to include job placement services. This is the recommended delivery system for youth employment, a career education program which utilizes a broad base of community resources mobilized by an Industry-Education Council. The focus for the educational

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[10] Seymour Lusterman, "Education for Work," The Record (New York: The Conference Board, May 1976), p. 39.

[11] Grace J. Finley, Business and Education: A Fragile Partnership (New York: The Conference Board, 1973), p. 16.

program is on outcomes rather than the process of education. "It is only recently that attention has begun to be given to the outcomes of the educational process and their alignment with occupational entry requirements."[12] The emphasis on outcomes gives belated recognition that many students will eventually enter the world of work.

The following are areas in which industry-education collaborative efforts are required in preparing youth for employment:

1. Statement of Goals - One cannot expect commitment to an education-to-work program without a written statement of outcomes -- the competencies required by students to assume a productive role in the marketplace. School staff and faculty should develop learner outcomes in cooperation with industry, represented by business, labor, government, agriculture, and the professions and parent groups, for a Board of Education's approval.

2. Staff Development - The major effort in the entire education-to-work program should be an intensive and sustained comprehensive training effort involving faculty, administrators, guidance counselors, and librarians representing all levels in a school program. A staff development program in career education would focus on the major phases of career development (career awareness, career exploration, career selection) and cut across all curricula. Self assessment, infusing career education concepts into the regular curriculum, career clusters, learner outcomes, occupational information of the job placement function, and utilization of community resources are some of the major elements in the program.

While career days, field trips, and community resource people are useful and necessary activities, staff development in career education, with its multiplier effect and emphasis on a consortium of effort within a school building, is the key to developing an effective youth employment program. Industry, particularly the private sector, should play a direct role in the design of the program, hosting some of the conferences, i.e., providing both instructional personnel and facilities, and assisting in the evaluation of the training. The end result of the staff development program would be career education implementation teams composed of staff and faculty providing the leadership in each school for a school-to-work program.

12/ Daniel H. Krueger, "Bridging the Gap Between Business, Industry and Education" (East Lansing, Michigan: Michigan State University), p. 3.

3. School Building Coordinators in Career Education - Representatives from each school building in a system who have completed staff development training in career education broaden the base of education and work programs for their students. Representatives from industry and post-secondary educational institutions would conduct regularly scheduled workshops for coordinators for the purpose of developing additional strategies, methods, and materials for expanding the career education implementation process within a school building.

4. Curriculum - In restructuring the curriculum to reflect career education concepts, attention should be given to the high school curriculum, in particular in terms of focusing the school's instruction program on the development of transferable skills through all the subjects/courses and the certification of these skills at graduation. In view of the mobility of the labor force, the educational program should consider "skills, abilities, and competencies that individuals in various occupational areas could bring to [transfer to] other jobs."13/

5. Career Information/Resource Center - At the secondary school level, the Center would be an extension of career guidance. Counselors working with other members of a career education implementation team and the school building career education coordinator can provide direct services to students in terms of career exploration/internships (work experience) in industry projects, self assessment, occupational information, and employability skills. The Center also can serve as a curriculum and materials facility for the entire school staff.

6. Job Placement Services - This activity is the capstone of a comprehensive career education program. Job placement is the major linkage between education and work for youth who are graduating, early school leavers, physically and mentally handicapped, and post graduates.

There are five suggested functional components of a job placement services program:

*Needs assessment - the operational decisions made by schools: who to serve and what services should be provided.

*Job development - the recruitment of community business and industry support, and the promotion of job opportunities for students.

13/Plan for a Study of Transferable Skills (Columbus,Ohio: The Ohio State University, 1976), p. 1.

*Student development - the most complex and important segment of placement. It relates to the regular school curricula and includes special programs and activities to prepare students for entry into employment. Employability skills focus on making a personal inventory, identifying sources on job opportunities and training programs, preparing a resume, completing application forms, being effective in a job interview, and factors to be considered before accepting a job. Survival skills should also be an integral part of this job placement activity, e.g., job-behavior, interpersonal relations, and decision-making skills, along with those skills that are associated with self awareness. Other factors in employment, such as social security, retirement benefits, taxes and using bank services, would be included under student development. Personnel representatives from industry can conduct a series of classroom sessions on job-seeking and job-survival skills with student groups. The Career Information/Resource Center is a logical mechanism to coordinate this activity with faculty.

*Placement - the culminating activity of a placement program focusing on the school system's attempt to provide job matching services.

*Follow-up - is a "feedback" or the evaluative part of placement.

Operationally, a school-based job placement services program should be a team effort with a job placement coordinator at the district level directly responsible for developing placement services as an integral component of a comprehensive career education program. Career education implementation teams, school building coordinators, a job placement advisory committee, career information/resource centers, and an Industry-Education Council represent the consortium of effort required to implement a job placement function for youth. This delivery system is flexible enough not only to meet the needs of particular groups of students but also to meet those of each individual as well.

7. School Building-Employer Partnerships - This project involves the development of a working relationship between a school and an institution in the area that would employ students. A career education implementation team and an employer team would develop collaborative efforts in such areas as career awareness/exploration activities, tutoring in language and mathematical/computational skills, employability and job survival skills, student internships and exchange programs involving the school and employer staffs. This industry-education cooperative activity is particularly productive in districts where the steps in developing a comprehensive career education model previously described have taken place.

8. Task Force of Volunteer Career Consultants - Preparing youth for work requires utilization of community resources within the 15 U.S. Office of Education's career cluster systems. A task force of community volunteers organized by career clusters can be widely used in classroom, job placement, and career exploration activities. It constitutes a major resource base in implementing an education and work program.

The design of this educational delivery system takes into account a series of linkages in developing a comprehensive program for youth employment: education-to-education, education-to-occupation, occupation-to-education and occupation-to-occupation. "The central concept is that the proper relation between education exit requirements and occupation entry requirements must be established if students are to make a smooth transition from school-to-work."14/

Industry-Education Councils: Linking the Marketplace and the Delivery System

A realistic catalyst for local initiatives in the program areas cited previously is the Industry-Education Council. The Council provides the vehicle for industry and education to work together at the critical interchanges between education and work. "The many benefits which stem from industry-education cooperation with local schools, students, teachers, employers and communities have been discussed and praised in journals and reports from both industry and education, yet much of this cooperative effort has been fragmentary and on an ad hoc basis."15/

Further, collaborative efforts in youth employment are characterized by constraints within both sectors. "The educational institution is heavily bureaucratized, bound to the methodology of the past and slow to adjust to emerging needs, while the business institution has not fully recognized its stake in educational processes, nor the many ways in which it could strengthen them."16/

14/Richard I. Ferrin and Solomon Arbeiter, Bridging The Gap: A Study of Education to Work Linkages (Washington, D.C.: National Institute of Education, 1975), p. 14.

15/Industry-Education Projects (New York: National Association of Manufacturers, 1973), p. 1.

16/Walter Guzzardi, Jr., "Education for the World of Work" (Fortune, October, 1973), p. 125.

Although, in most cases, these are distinct domains, the Industry-Education Council provides a school district wide mechanism linking both sectors, which broadens the base of support for youth employment oriented programs. The Council serves as an umbrella for coordinating industry-education cooperative efforts related to a comprehensive career education program in terms of staff and curriculum development, career guidance, job placement, and occupational information. This community-based council has the capability of providing "crucially important forums for working out -- in terms of specific situations -- answers to some problems affecting education-experience interchange that seem to defy solution when posed in broader conceptual terms."[17]

Youth employment programs have greater opportunities for success when the top leadership of a community, representing business, education, labor, government, agriculture and the professions, constitutes the membership of an Industry-Education Council. Organized into functional committees, these senior decision makers provide "a united or consortium approach, bringing the largest number of people together from both systems -- industry and education."[18]

The Niagara Falls Area Industry-Education Council is an example of a group directly participating in the development, coordination, and evaluation of projects associated with school-to-work transition. It mobilizes the key resources of the community; develops plans for their efficient allocation; and provides opportunity to achieve program objectives related to the school district's comprehensive career education model. The Central Jersey Industry-Education Council in Woodbridge, New Jersey, the Hampden County Industry-Education-Labor Council in Springfield, Massachusetts, and the Business and Industry Council in Madison, Wisconsin, are other excellent models that emphasize industry-education collaborative efforts in youth employment. The National Association for Industry-Education Cooperation, through its network of affiliated Councils, is providing leadership in developing effective linkages between schools and industry in the area of education and work.

Long Term Prospects

In the long term, the recognition of the changes in the marketplace as a baseline for planning an effective delivery system for preparing youth for productive employment, and developing a comprehensive

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17/ Willard Wirtz, The Boundless Resource (Washington, D.C.: The New Republic Book Company, Inc., 1975), p. 71.

18/ James P. McCormick, "Business-Education Interaction for Mutual Growth," Educational Leadership (Washington, D.C.: Association for Supervision and Curriculum Development," April 1975), p. 460.

career education program utilizing the Industry-Education Council model linking the marketplace and the schools, offer the best opportunity for a realistic education-to-work program.

"It should be noted that the private sector will be called upon in coming years to help resolve America's most serious manpower problem -- to reduce unemployment by a more rapid absorption of young people into productive jobs."[19] Because youth unemployment is primarily structural in nature, it is not attributable to deficient overall demand and cannot be cured by easy money, tax reductions, or more government spending. There is a mismatch between the labor skills needed in the economy and those possessed by young people.

The youth employment problem looks much the same as a lot of other problems. It is the type of problem that is solved by the private enterprise system without any centralized planning. The normal function of the marketplace is to bring supply and demand into balance and to preserve that balance in changing circumstances. That is as true in the market for human services as it is in the market for any commodity.

In sum, there is a natural linkage between education and work. Young people need jobs, and industry needs human resources for its operation. While education and industry have their separate goals, both are concerned with the development and utilization of human resources, particularly with respect to the employment of youth.

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[19] Neil H. Jacoby, "Six Challenges to Business Management," Business Horizons (Bloomington, Indiana: Indiana University, August 1976), p. 34.

XIV. CETA - THE BASIC ASSUMPTIONS AND FUTURE PROSPECTS (A CASE STUDY IN INTERGOVERNMENTAL RELATIONS)

A PAPER BY

ROBERT McPHERSON, DIRECTOR
KING-SNOHOMISH MANPOWER CONSORTIUM

CETA - THE BASIC ASSUMPTIONS AND FUTURE PROSPECTS
(A Case Study in Intergovernmental Relations)

I. INTRODUCTION

The December 28, 1973 signing of the Comprehensive Employment and Training Act (CETA) culminated a seven-year effort to restructure the nation's manpower program delivery system. The overused rhetoric of manpower reform--decentralization, decategorization and consolidation--had finally found its way through the legislative process and into law. Section 2 of CETA enunciated a clear and lofty statement of purpose which, among other things, called for the establishment of "a flexible and decentralized system of federal state and local programs."

The usual ceremony surrounding major legislation which survives the political process was highly visable. Members of Congress and the President were quick to embrace CETA, and to point with pride to its key policy provisions as evidence of their abilities to negotiate outcomes favorable to their respective perceptions of the public interest. The November 21 House Committee Report (No. 93-659) accompanying the Comprehensive Manpower Act[1] extolled the virtues of a decentralized and decategorized manpower delivery system (so long as it contained a separate title and a minimum authorization for public service employment). At the same time, the Report stressed the importance of maintaining "necessary federal supervision to insure that the national purposes....are carried out." In the December 20 floor debate, Congressman Carl Perkins, Chairman of the House Education and Labor Committee, referred to the new legislation as "a compromise between those who favored the so-called revenue sharing approach and those who believe in a strong federal role and responsibility." In contrast, as the bill was signed into law, the White House issued a formal statement by the President which promoted CETA as both "the first legislation to incorporate the essential principles of special revenue sharing" and as representative of a "long-overdue shift in intergovernmental resppnsibility." According to the President's statement, a new federal partnership between national, state and local governments had been firmly established.

As these and other selected statements of respective positions illustrate, there was, to a degree, bipartisan consensus on the need for basic reform of the manpower delivery system. In fact, there was sufficient agreement to get the proposed legislation enacted. But the major intergovernmental issue--who was gaining and who was losing power and control--was never adequately addressed, clearly understood, or mutually agreed upon. The terms decentralization, decategorization and consolidation of the manpower program delivery system had lost all meaning. And to further confuse matters, two other popular terms--comprehensive and coordination--were added to the lexicon of bureaucratic mush. For convenience, each user had a different perception

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[1]The Comprehensive Manpower Act (H.R. 11010) was the November 21, 1973 House version of manpower reform legislation.

of their meaning, and, in the end, no one really knew exactly what responsibilities and functions were shifting where. In short, the operational framework for intergovernmental relationship under CETA remained and continues to remain unresolved.

Now, after three short years, the CETA charter is approaching expiration. The continuing debate on the manpower delivery system is intensifying in anticipation of forthcoming change. Many former advocates of systems reform--some of whom found their way into administrative jobs for state and local prime sponsors--will be defenders of the status quo. Their basic defense--which can be factually documented, and not easily discounted--will include familiar statements such as the delivery system as restructured under CETA is "barely in place," and, to date, "the evidence on program effectiveness and impact is incomplete and inconclusive," i.e., "it's too early to tell." In juxtaposition, proponents of the categorical grants-in-aid system--selected members of Congress, officials in the national bureaucracy, as well as the private nonprofit organizations which took advantage of Lyndon Johnson's creative federalism to establish their own versions of a national manpower delivery system--will be quick with criticisms (complete with selected horror stories), and proposals for systems reform.

Setting aside the fanfare and the conflicting and often contradictory claims of political rhetoric, the basic concepts embodied in CETA significantly altered the way manpower programs were to be planned and delivered in the federal system. However, this reordering of the system was limited to the functional areas of manpower. The enactment of CETA did not significantly influence or alter the broader intergovernmental infrastructure. It was only a single reflection of major developments on the broader stage of intergovernmental relations. To examine CETA in that broader context will provide a reality perspective for: analyzing how the federal system works; drawing conclusions on the future of CETA; as well as for making recommendations regarding a workable federal manpower delivery system. Toward these ends, the remainder of this paper will concentrate on CETA--the basic assumptions, the established roles and relationships and the future prospects--within the broader intergovernmental framework which it so aptly reflects.

II. FEDERALISM - THE INTERGOVERNMENTAL INFRASTRUCTURE

Conventional wisdom, as espoused by political analysts of the 1960's defines modern federalism as a dynamic, everchanging system of intergovernmental relationships. Contrary to older static and legalistic concepts of independence and separate authority for each level of government, the new-style federalism, according to Michael Reagan, "is a political and pragmatic concept, stressing the actual interdependence and sharing of functions."[2] In this modern view of federalism, decision making relative to the major functions of government is shared to varying degrees by the partners in the

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[2]Michael D. Reagan, The New Federalism (New York: Oxford University Press, 1972), p. 3.

cooperative relationship. Using a tasteful illustration attributed to Morton Grodzins, federalism is no longer a layer cake with separate autonomy at each level; it is a marble cake where decisions on governmental functions are made at all levels in the system.[3]

A wide variety of phrases has been used in reference to this perceived phenomenon of a dynamic relationship among national, state and local governments in the federal system. Terms such as "functional," "creative", "cooperative," and "new" have each been used in conjuction with the word "federalism" to identify a given set of observed intergovernmental relationships. But what is the key factor in the establishment of these interdependent relationships? It is the thesis of this paper that these intergovernmental relationships--the infrastructure, or the particular mode of federalism existing at any one point in time--are a function of the system for providing federal financial assistance to state and local governments. Moreover, the intergovernmental relationships evident at any point in time have been developed at the national level in an environment dominated by the fear of loss of power and control. Consequently, all proposals for systems reform have been--and will continue to be--constrained by the realities of these political processes.

In recent years, the pattern of federal financial assistance can easily be classified into three broad areas: categorical grants-in-aid, block grants and revenue sharing.

Grants-in-Aid

From several vantage points, the categorical grants-in-aid structure offered a politically attractive and expedient mechanism for accomplishing specific national policy and program objectives. National problems, as publicly identified to events such as the Soviet launching of Sputnik, the Civil Rights movement and the publication of Michael Harrington's The Other America, appeared to be concentrated among specific population segments and to require special targeted efforts to produce immediate results. Funds generated at the national level through the progressive income tax structure could be made readily available through narrow categorical grants. The fit was a natural. But more pertinent to the analysis here is the fact that the basic elements of an intergovernmenal infrastructure for providing this kind of federal assistance were already in existance and anxiously awaiting any opportunity to expand. As indicated above, the progressive income tax structure--a creature of the national government--was capable of generating the necessary revenue. The Congress, with its full complement of substantive committees, was organized along well-structured categorical lines--an organixational arrangement protected and reinforced by the omnipotent seniority system. Moreover, as long as jurisdictional lines were not violated, existing subcommittees could be adapted or new ones could be created to focus on specific issues. The key federal Executive departments, organized for the specific

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[3]Ibid. p. 6

purpose of directing national programs in accordance with uniform national standards, were already in place. These functional fiefdoms, with their territorial boundaries well drawn, were, in many cases, administrative parallels to their Congressional committee counterparts.

Under the grants-in-aid system, Congress, through the legislative process, established the policy and program design and provided the funding. The federal Executive departments embellished the policy and program with detailed regulations and guidelines. Recipient agencies--those lucky enough to have the grantsmanship skills to win a federal project--administered the program. A long list of delivery agents included state and local governments as well as a myriad of private, non-profit organizations. The institutional environment was receptive and the major advantages were immediately obvious. First, the major policy, program and expenditure decisions on appropriate uses of the federal tax revenue remained at the national level. Secondly, for many representatives of the unemployed and economically disadvantaged, Washington was more attentive to their needs. Because of the technological revolution in communications, local problems vaulted overnight into national problems demanding immediate action by the national government. Special interest groups were able to deal effectively with a Congress structured to represent the parochial and particular. Congressional committees responded in a piecemeal fashion--reporting categorical legislation designed to solve specific problems. General empathy, geographic distance from the constituents in the district back home, and the political reality of compromise and trade-offs combined to produce national legislation which was implemented through a categorical grant-in-aid system. As a result, both the number of categorical grants as well as the dollar level of federal financial assistance escalated in the 1960's. In 1970, the Advisory Committee on Intergovernmental Relations--using the number of separate legislative authorizations as a definition of federal assistance programs, estimated a total of 530 grants-in-aid programs, four-fifths of which were enacted after 1960.[4] Compared to grants-in-aid listed in the Catalog of Federal Domestic Assistance for the same year, this was a most conserative estimate. In dollar terms, a 1975 Report to the Congress by the Comptroller General shows a growth in federal assistance from $7 billion in fiscal year 1960 to an estimated $51.7 billion in fiscal year 1975.[5]

The accompanying intergovernmental infrastructure of functional federalism developed quickly along the categorical funding channels. In short order, a maze of federal, state and local relationship were created. Existing federal Executive departments were expanded and new ones were created; and in order to assure that national program priorities were "carried out in the field," each federal department developed its own vertical network of regional

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[4]Report to the Congress by the Comptroller General of the United States, "Fundamental Changes are Needed in Federal Assistance to State and Local Governments," August 19, 1975, p. 4.

[5]Ibid., p. 6.

counterparts. In many cases, a series of separate and often feuding parallel networks evolved within a single department. State and local governments as well as other recipient agencies organized newly acquired staff (staff, of course, to be paid from the federal grant) along categorical, functional area lines. These institutional arrangements produced a multiplicity of functionaries including members of Congress, state and local elected officials, federal bureaucrats, public administrators, professional guilds, academics, project directors, constituents including program participants, and, of course, the usual bevy of expert consultants. Moreover, in keeping with the practice of pluralistic democracy, each group espoused its own special interest and perception of what the public needed and the best way to get the services delivered.

This expansion of categorical grants-in-aid system created administrative and systems delivery problems from the beginning. By the mid-1960's, a chorus of diverse groups united in a public outcry deploring the inefficiency and duplication in the system. Their concerns transcended basic philosphical ideologies and political affiliations. Reference to two familiar advocates for reform illustrates the point. Early in the Johnson Administration, Secretary of Labor Willard Wirtz, and Manpower Administrator Stanley Ruttenburg, began to recognize the administrative problems of categorical grants-in-aid. They initiated reorganization plans which would result in a "strong federal administrative structure to undergird the entire manpower system."[6] (At this point in time, the entire manpower system included two old line and two relatively new bureaus within the so-called Manpower Administration.) Key features of their proposed reorganization included: recognition of conflicting legislative mandates and overlapping administrative structures; decentralization of operational authority to the regional office level; and establishment of a single line of authority over related functional activities. In contrast, the Republicans were also critics of categorical grants and advocates of administrative reform. Early in the Nixon Administration, categorical grants-in-aid were fair game for public rebuke as the new Administration urged the Congress to enact Manpower Revenue Sharing. The "ever-growing federal octopus," "hardening of the categories," and the "jungle of red tape" became effective jingles for pointing out the fact that the current system was not delivering the appropriate services to the people in need.

Block Grants

Disenchantment with the categorical grants-in-aid system, coupled with the American obsession for developing a new system rather than making the existing one work, resulted in two new approaches for providing financial assistance to state and local governments--block grants and revenue sharing. Both of these new approaches embodied the potential for major modifications in the intergovernmental infrastructure, the former much less so than the latter.

As early as the mid-sixties, the first alternative--the concept of broader purpose block grants to provide greater program flexibility to state and local governments--had already found its way into legislative proposals.

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[6]Stanley H. Ruttenburg, Manpower Challenge of the 1970's: Institutions and Change (Baltimore: The Johns Hopkins Press, 1970), p. 74.

In 1966, amendments to the Public Health Service Act consolidated sixteen (16) existing categorical grants into single block grants to state and local agencies.[7] To varying degrees, the Comprehensive Employment and Training Act of 1973, the Housing and Community Development Act, and the Education Amendments of 1974 represented a further extension of the block grant approach. Related categorical programs were consolidated, program administration was reorganized into a single federal department, and funds were allocated by formula throughout the nation. The underlying assumption supporting the block grant approach was simple and convincing: categorical grant consolidation, coupled with increased flexibility for state and local government decision making, would result in greater efficiency and improved services to the people in need. The implicit implications for major reform of the intergovernmental infrastructure were immediately threatening for those with the power, since increased flexibility for decision making at one level of government in the federal system would come only at the cost of diminished control at another.

General and Special Revenue Sharing

The concept of revenue sharing represented the most radical departure to date from the coventional approach to providing financial assistance to state and local governments. As an alternative to both categorical grants-in-aid and broader block grants, revenue sharing was immediately attractive for several reasons, two of which will serve to illustrate the point. First, the national government's ability to generate revenue through the progressive income tax was widely accepted. At the same time, increased technical sophistication in mass media stimulated an acute national awareness of major domestic problems, including the fiscal plight of many state and local governments. Few elected officials, however, at any level of government, were willing to take the risk of being identified with major reform of state and local tax structures which might well result in an increase in the voters' visable tax burden. Embracing the revenue sharing concept, therefore, provided a comfortable cop-out.

Secondly, from the political perspective of the new Republican Administration coming to power in 1969, revenue sharing was ideologically perfect. Sensitive to the critics of "big federal government," and to the inefficiencies and duplications in the categorical grants-in-aid system, revenue sharing was viewed as "an idea whose time had arrived." Again, as with the block grant approach, the case for revenue sharing was simple and , on the surface, appealing. Federal assistance would automatically be provided to state and local governments without federal programmatic strings being attached. The basic policy, program and expenditure decisions on the shared revenue would be made by state and local governments for whatever they deemed appropriate. In short, federal assistance would be totally decategorized, and the decision making power would be decentralized. The only federal interference would be in the form of broad program areas established by the legislation within

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[7]Report to the Congress by the Comptroller General of the Unites States, op. cit., p. 2.

which the recipients would be encouraged to make priority expenditures. The expected result was the restoration of a proper balance of power among governments in the federal system, thereby leading to the preservation of the federal system.

Because of its appeal to both liberals and conservatives, the basic concepts of revenue sharing received bipartisan support throughout the intergovernmental infrastructure. It was endorsed by Congressmen, academics and professional public administrators readily identified with both political parties. Each of the major nonpartisan national associations respresenting governors, mayors and county executives encouraged adoption of the revenue sharing approach.

Not unexpectedly, the rhetoric on the need for reform was good, but there was general apathy toward revenue sharing in the Congress throughout the 1960's. As late as 1969, President Nixon's appeal for revenue sharing in a special message to the Congress did not receive the courtesy of a hearing by the appropriate committees in either House.[8] However, the 1970's brought immediate action. The fiscal plight of state and local governments was becoming increasingly critical. It was clear that federal assistance was essential. The Administration revised its strategy and made the decision to make a major push for enactment of revenue sharing. Their new approach was divided into two parts--general revenue sharing and six separate special revenue sharing packages conveniently arranged by broad functional program area, e.g., manpower, urban community development and education. But, given the political pressures and priorities of the time, the special revenue packages, with their obvious kinship to functional area block grants, were temporarily shelved while primary attention was focused on general revenue sharing. On the basic assumption that general revenue sharing was an addition to, rather than a replacement for, programs and relationships under the existing grants-in-aid system, the Congress moved rapidly to enact the State and Local Fiscal Assistance Act of 1972. By this one action alone, the Congress made a five-year commitment to share approximately $30 billion worth of revenue, power and influence with state and local governments. And, at a rate of approximately $6 billion per year, a significant new intergovernmental infrastructure was added to the federal scene.

Though smaller in dollar terms and, on the surface, less threatening, the special revenue sharing proposals presented real problems for functionaires throughout the existing system. Careful scrutiny revealed that these proposals had significant potential for altering the current institutional arrangements supported by the categorical grants-in-aid system. These proposals were not additive in terms of either aggregate funding or administrative systems. Rather, they were aimed directly at altering the existing intergovernmental roles and relationships, and as a consequence, were not to enjoy the same reception as that finally accorded general revenue sharing.

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[8]Michael D. Reagan, op. cit., p. 90.

Nevertheless, given the widespread interest in modifying the system, the similarities between special revenue sharing and block grants; and the realization that in the functional area of manpower, the three basic charters were expiring, the Congress began consideration of modified versions of the Administration's special revenue sharing proposals. The first one to finally be adopted, and the one which will receive major attention in the remainder of this paper, was CETA.

The Current Infastructure

Before turning to the specific case of CETA, a cursory review of the current infrastructure, the relative positions of the key actors and the major intergovernmental issue at hand is appropriate. Such a summary will contribute to a realistic framework for simple, yet realistic, observations on CETA.

Based upon the idea that the structure of intergovernmental relationship is determined by the mechanism used for providing financial assistance, the current infrastructure is a synthesis of relationships resulting from the three financial aid systems--grants-in-aid, block grants, and revenue sharing. Furthermore, the systems mix--the relative shares--in the current infrastructure is a function of the dollar levels of federal assistance flowing through each mechanism. Following that logic, the current federalism is dominated by categorical grants-in-aid, and from an objective analysis of political realty, there is ample evidence to believe that this domination will continue.

A review of two groups of key actors--the elected officials and the functional area professionals--is particularly insightful. It must be recognized that elected officials are, for the most part, people motivated by the need for power and control. They have won a popularity contest in their particular political fiefdom which has vaulted them to notoriety and instant success, and they are the first to recognize the precarious nature of their political present and future. Political parties reinforce these motivations. Moreover, their organizations and activities represent an interesting hierarchy in intergovernmental relations which parallels that established by federal financial assistance, and, at the same time, tends to create competition and jealousies among elected officials at all levels within the hierarchy. Incumbent governors see large-city mayors as potential political rivals. With the proper respect gained from experience, Congressmen are convinced--and rightly so--that most elected officials hold aspirations for higher public office. In this environment, the elected official's concern with intergovernmental relationships which determine the focus of power and control over resource allocations decisions, is primary and keen. On the other hand, the bureaucratic and administrative details of legislative proposals to promote efficiency and improve service delivery are basically devoid of political appeal to the electorate, and of necessity, cannot be given their priority attention.

For the professionals--federal bureaucrats, public administrators, and academics--the conceptual as well as the pragmatic details on issues of the appropriate roles and relationships in the intergovernmental infrastructure are paramount. In most cases, it is not only their functional area of professional training and interest which is involved, but their personal income, social acceptance, and prestige among their peers. Each group quickly finds a place within the evolving infrastructure and then attempts to expand and broaden its control and influence. On one hand, employees of federal Executive departments are prone to interpret Congressional intent and to establish national initiatives, programs and minimum standards based upon their own perceptions of national need. At the same time, public administrators employed by state and local governments--often motivated by a recent increase in authority or responsibility--are busily developing their own spheres of influences over policy and program designs. Consequently, much of the debate, conflict and confusion on the appropriate relationships in the infrastructure is among the functional area professional employed at the various levels of government. Topics such as systems design, interagency coordination, and functional program responsibilities are bureaucratic, administrative details designed to employ and entertain public employees. Often, the elected representatives of the people do not understand the detailed issues, and are not involved in the intergovernmental debate.

This multiplicity of actors and their special interests created inevitable conflicts in an evolving federal system. At the same time that the nation's categorical grants-in-aid system was being vastly expanded, major changes were being proposed in this method of delivering federal financial assistance. Block grants and revenue sharing concepts were developed and supported as alternate approaches long before the grants-in-aid system was firmly established. The terms consolidation, decategorization and decentralization, with their obvious implications, were used to define a new set of relationships, relationships based upon programs designed and funded within broad categorical areas; formula allocations of federal resources (allocations based on right rather than privilege); and increased flexibility among state and local elected officials to use their fair share of federal resources to design their own local programs.

One major issue in intergovernmental relations is common to each of the alternative proposals for change, and is key to understanding any major shifts which are likely to occur either in the broader federal system or specifically within the microcosm of CETA. That issue is simply one of power and control. Which level of government has the authority, responsibility, and final accountability for programs funded from revenue generated in Washington? Which level of elected and appointed officials will have the dominant role in policy and program decision making? In short, what are the relative shares of power?

III. THE BASIC CETA ASSUMPTIONS

The development and subsequent implementation of the Comprehensive Employment and Training Act (CETA) provides an excellent framework for testing the basic postulates set forth in the general discussion on intergovernmental infrastructure. CETA represents a seven-year effort to reform

and realign that infrastructure with respect to the narrow categorical area of manpower. As an example of a modified block grant, it represents the legislative compromise between the "centralists"--those favoring concentration of power in Washington--and the proponents of special manpower revenue sharing. Both groups were, to varying degrees, critics of the categorical grants-in-aid system and advocates of basic reform. But, as could be expected, there was a wide range of opinion about which functions were to be shared and roles to be played by the respective members of the new cooperative partnership.

Regardless of where one searches for the basic assumptions undergirding CETA, the most striking observation is their similarities, regardless of whether they eminated from the Administration or from the Congress. The emphasis may be in different places or may vary to a degree, but it largely focuses on the same general assumption. In President Nixon's Februrary 7, 1972 Message to the Congress urging enactment of the Manpower Revenue Sharing Act, four basic assumptions justifying manpower reform were clearly delineated.

1) The present categorical grants-in-aid system was not working and the nation needed a new manpower delivery system. By pointing to a long list of service delivery problems existing under the categorical grants-in-aid approach, a strong case was made that the present system was not working, and that there was a demonstrated need for a new system to provide federal aid to state and local governments.

2) The optimum solution to the manpower problem was the transfer of basic authority and responsibility for program planning and delivery to state and local governments. Under the President's version of the new system, the national government would provide the revenue and the flexibility while state and local governments would plan and implement a program best suited to the needs of people in their area. The basic goal to be accomplished was decategorization, consolidation, and decentralization of manpower program delivery. The dedication to this assumption is evident by the fact that the President's legislative proposal as submitted to the Congress allocated eighty-five percent (85%) of the available manpower resources to states and local governments.

3) Decentralization of manpower program decision-making to state and local elected officials would provide increased opportunities for citizens to participate in their government.

4) State and local governments were closer to the manpower problem; sensitive to the individual needs of their constituents; and in the best position to design the most efficient and appropriate program responses.

In the House Committee Report No. 93-659, the rhetoric was different, but several of the basic assumptions--though hedged and modified--were

common. There were differences, however, from those of the Administration, and it is important that they be identified. First, the House Report, with its majority party influence and healthy suspicion of local elected officials, outlined a much stronger federal role in order to assure that national policy objectives were carried out. Second, there was concurrence with the assumption that the manpower program delivery system should be consolidated and decentralized. However, this assumption was founded not upon the virtues of local governments, but rather upon the Committee's recognition of the serious problem of "overcentralization of program administration at the national level." Finally, the Committee stressed that certain manpower programs could not be appropriately administered by local governments and, therefore, must remain as special federal responsibilities. Though not far apart on the general direction for reforming the manpower delivery system, there were strong differences of opinion as to exactly which functions were shifting and to what degree those functions were to be shared with state and local elected officials.

As calendar year 1973 ended, bipartisan consensus was reached on the substance of the new legislation, and with the actual signing of CETA in late December, a restructured manpower delivery system was legislatively authorized. But, from a first reading of the new charter, it was evident that all sides had made significant compromises. CETA, while incorporating some of the principles of the Administration's manpower revenue proposals, was clearly not special revenue sharing. On the other hand, there was program consolidation[9] and increased flexibility and power for local elected officials which represented a significant move away from narrow categorical grants-in-aid delivery system.

A careful review of the key provisions of CETA affecting the intergovernmental infrastructure is essential for separating the rhetoric from the fact. First, under Title I, the legislation clearly established the concept of state and local governments as prime sponsors. Federal revenue was to be made available to designated prime sponsor jurisdictions through a formula allocation. In order to receive this financial assistance, the prime sponsor was required to develop a comprehensive manpower plan. Approval of this plan by the Secretary was an essential condition for receipt of funding. To assure citizen participation, prime sponsors were required to organize and maintain manpower planning councils. And consistent with the block grant concept of increased flexibility in functional program areas, prime sponsors could fashion their local manpower program from a wide range of allowable activities authorized under Title I. In contrast with Title I, Title II represented a categorical block grant to state and local governments having areas of substantial unemployment within their jurisdiction. Title III authorized the Secretary of Labor to provide manpower services to population

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[9]The original CETA included the basic elements of the Manpower Development and Training Act of 1962, the Economic Opportunity Act of 1974, and Section 6 of the Emergency Employment Act of 1971.

groups not appropriately served by state and local prime sponsors. The services were to be delivered through national contracts. Title IV authorized the Job Corps as a separate categorical program under the direction of the Secretary. Though not ranking high enough for a separate title, the traditional summer jobs program for youth was subsequently authorized under Title III. State and local prime sponsors received the funding and operated the program; however, federal legislative and administrative requirements necessitated a separate categorical operation.

In summary, the separate titles with their discrete funding authorizations outlined a system of separate block grants under CETA. The level of actual decategorization and decentralization is best illustrated by a review of CETA appropriations for Fiscal Year 1977. Disregarding Title VI, $3.2 billion was made available by title as follows: Title I, $1.88 billion; Title II, $400 million; Titles III and IV, $989 million. Of this amount, prime sponsors have eighty percent (80%) of Title I, or $1.5 billion for planning and delivering a comprehensive manpower program for their jurisdiction. The remaining $1.7 billion--a significant protion of which is eventually available to prime sponsors--is delivered through farily rigid, categorical block grants. Moreover, each title requires a separate grant application and separate accounting and reporting. Prime sponsors attempting local program consolidation across CETA Titles do so at their own risk.

How did CETA, as finally enacted, affect the roles and relationships in the intergovernmental infrastructure? At the local level, the only basic opportunities for significant change existed under Title I. However, even under Title I, only eight percent (80%) of the available resources were immediately allocated on a block grant basis to prime sponsors. Though without question, the increased program flexibility resulted in expanded power and authority for state and local governments. For the first time, local elected officials were infused into the manpower delivery system. Under the pure categorical grants-in-aid system, their participation in the infrastructure was limited to the number of grants they managed. As a prime sponsor under CETA, the elected official became the focal point of the local manpower program system--responsible for performing the basic functions of local policy determination, planning, and program delivery. Moreover, the local elected official's participation in manpower programming effectively severed the vertical functional relationships between the federal funding source and the local delivery agents which existed under the categorical system. Finally, the development and expansion of the elected official's staff effectively created another layer in the bureaucracy.

On the national scene, Title I of CETA mandated a new role for the Department of Labor. As defined in the House Committee Report, the Secretary of Labor was given the ultimate responsibility for assuring that manpower policies and programs were administered consistent with the purposes and provisions of the Act. Prime sponsors were to meet the statutory requirements of the Act, and the Secretary was not to second guess the program judgment of

the local prime sponsor. This legislative intent left the Department with the primary functions of reviewing and approving prime sponsor plans, monitoring, assessing program performance relative to prime sponsor plans, and providing technical assistance. Needless to say, these responsibilities along with their limited program role under Title III and IV left the national bureaucrats restless and looking for ways to exercise more control over state and local prime sponsor program operations.

The failure to accomplish broad program consolidation and increased flexibility within the functional area of manpower can be clearly understood from the previous analysis of the intergovernmental infrastructure. The Congress is jealous of its power and influence. In addition, they are suspicious of the potential program decisions and the motives of other actors in the system and, therefore, hesitant and often unwilling to give broad discretion to anyone. The enactment of a separate title for the public employment program provides an excellent example. Under the block grant approach, there is no conceptual basis for a separate title for public service employment, yet many liberal Congressmen wanted to guarantee continuation of that program with a separate title and a minimum authorization.

As the above analysis demonstrates, the CETA legislation, in fact did not represent the radical departure advocated by the early proponents of manpower reform. Without question, state and local governments, as CETA prime sponsors, gained significant control and flexibility over their relative shares of available Title I resources. It is also true that CETA significantly altered the relationship of the categorical grant-in-aid service deliverers within the manpower delivery structure. Even so, those pre-CETA categorical delivery agents are still, for the most part, in the infrastructure though subgrant relationships with state and local prime sponsors. Such changes notwithstanding, the important point here is that long before the national bureaucrats wrote the federal regulations and ensuing field memoranda, the basic CETA assumptions were compromised by the legislative process--modified to the point that the block grant approach funded under Title I represents the only significant deviation from the categorical grant-in-aid delivery system, and, therefore, the only area in which the established infrastructure was subject to change.

IV. THE FUTURE OF CETA - A RETURN TO THE CATEGORIES

As manpower reform legislation passed the Congress, there were a number of key concerns expressed by members of the intergovernmental infrastructure. Those actors giving up power, control and productive relationships were immediately concerned about the behavior and decisions of the recipients--How would they respond? How would they act? Congress was fearful that the Administration would essentially write its own version of the new legislation through implementing regulations and administrative directives. To many observors, the federal responsibility in manpower had been abdicated, and state and local governments were now free to exercise their unconstrained options with federal revenue. Needless to say, they would have to be closely watched.

National bureaucrats, anxious to preserve a strong federal presence in manpower, were hurriedly developing detailed regulations in an attempt to clarify and embellish their respective roles and relationships in the new system. At the same time that the initial transfer of power was being accomplished, the stage for future relationships under CETA was being set. With CETA, the Congress and the national bureaucracy had, for a variety of reasons, increased the flexibility and power of state and local governemnts. Almost without a pause, they immediately began actions to effectively reverse that decision and regain the power they had just given up. CETA was not being singled out for discrimination; it was simply being subjected to a common practice observed throughout intergovernmental relations. Under whatever heading one cares to choose, be it "carrying out the provisions of the Act," "meeting national goals, priorities and standards," "protecting the prime sponsors," or "in order to meet the informational needs of the Congress," the erosion of block grant flexibility under CETA was inevitable.

This observation can be documented with two recent examples--one action by the Department of Labor, and one by the Congress. The federal role as defined under CETA, includes the basic functions of assuring prime sponsor compliance with the Act, reviewing prime sponsors' plans, and assessing program performance. In carrying out these responsibilities, the Employment and Training Administration has taken a series of steps toward assuming more power and control over local prime sponsors. These include: more stringent assessment of prime sponsor operations prior to annual funding; specific programmatic assessment of the prime sponsor's grant applications; and, most significantly, the development of national performance indicators. In the June 25, 1976 federal regulations, the Administration publicly announced its intention to develop national performance indicators for CETA-funded manpower programs. In a related and complementary action, the Administration issued Field Memorandum No. 224-76. This July 9 Memorandum, entitled CETA Title I Grant Application Review Guidelines, provided program performance criteria to be used by regional offices in reviewing prime sponsors' grant applications for financial assistance. According to one spokesperson for the DOL National Office, this Memorandum was nothing more than a guide to provide some uniformity and consistency in the grant review process. However, a review of an early draft of the above-mentioned document reveals an implicit intent on the part of the Administration to use specific criteria as a standard against which to review the prime sponsors' program decisions throughout the nation. Though heavily qualified, the draft document begins by discussing "program review guidelines," and "performance indicators" and concludes with language about "acceptable ranges of performance." The obvious implication is that prime sponsor planned performance outside of the established range would be unacceptable.

Program performance indicators for regional office use in assessing the adequacy of prime sponsors' grant applications is just one step removed from nationally established program performance standards. National performance standards will immediately affect and eventually control the mix of manpower

services in state and local prime sponsor jurisdictions. Local elected officials' flexibility and power over Title I manpower programs will be effectively usurped by the National Office of the Department of Labor. Prime sponsors will be relegated to the role of the local administrative arm for a federal categorical grant program. Key policy officials in the National Office espouse a public concern for, and commitment to, the preservation of the CETA concept. However, one must observe that, with efforts such as those outlined above, the Administration is, in fact, killing CETA with its concern.

The second major example of erosion of block grant flexibility comes from recent legislative action by the Congress. The Democratic Congress was not willing for the public service employment program to become just one of the allowable manpower activities under Title I. Consequently, a separate Title II was authorized and funded. In a 1974 response to rising unemployment and the national economic recession, Congress added a new Title VI--the Emergency Jobs and Unemployment Assistance Act--to CETA. Most recently, the Congress authorized an extension of Title VI through federal Fiscal Year 1977. While including some of the key features of the block grant approach to providing federal assistance, these separate and specific enactments clearly illustrate that the Congress harbors second thoughts on the authorization of block grants generally, and CETA specifically. The Congressional tendency to give flexibility and then to withdraw that same flexibility over time can be clearly observed. In fact, the Congress is now beginning to administer the public employment program through legislation. The new "Emergency Jobs Program Extension Act" goes so far as to establish specific criteria for determining participant eligibility for the jobs funded under Title VI. The prime sponsor option to determine whom among the unemployed is to be served with this portion of the funds has been eliminated. In addition, the prime sponsors' program planning flexibility--never anything to brag about in the public employment program--has been further eroded. The purposes for which the money is to be spent, and in what time frame, are specific and are dictated from the banks of the Potomac. The prime sponsor is a project director administering a federal program through designated program agents. Fortunately, local governments can still choose the employing agencies; however, a reading of the Joint Explanatory Statement accompanying the legislation illustrates that even some of the flexibility in that decision may well be lost in the future.

V. CONCLUDING OBSERVATIONS

A myriad of conclusions and recommendations can be drawn from this seminal effort to view CETA within the fabric of the broader intergovernmental infrastructure. Assuming that the proceeding page will, in all likelihood, only be read by a few professional functionaries, the following observations are specifically directed to that particular audience.

1. The institutional arrangements in the American version of pluralistic democracy prevent wholesale acceptance and rapid implementation of sound reform ideas proposed by well-intentioned academics and public administrators. Short-run opportunities for change are available only to the extent that they are within the established institutional rigidities of the existing intergovernmental system.

2. In reality, the existing intergovernmental infrastructure--the roles and relationships of the partners in the federal system--are a function of the pattern for providing federal financial assistance to state and local governments. Currently, those relationships are predominatly influenced by the categorical grants-in-aid approach. From an institutional perspective, there is a sound basis for expecting a continuation of this basic approach and its accompanying relationships. The categorical approach is the only realistic expectation one can have for political action. People, as well as their governments, are incapable of comprehending the whole fabric of society, and therefore must resolve themselves to identifying the problems and proposing solutions in a categorical, piecemeal fashion.

3. The institutional constraints of modern federalism do present the opportunity for development and experimentation with a block grant approach. However, these opportunities will be limited to a few well-defined functional areas, and they will share a minimum of powers and flexibility with state and local governments. If CETA is a specific case from which one can generalize, there will be an immediate reaction attempting to withdraw the flexibility previously given. The realities must be recognized--block grants and general revenue sharing represent major threats to the Congress and to the national bureaucrats. Power and control are not readily given away.

4. Recognition of these realities of the political and institutional arrangements will facilitate better direction of professional time and resources. Legislative proposals advocating broad block grants across Congressional jurisdictional boundaries will never be reported out of Committee. The current system does not work that way, and Congress is not likely to reorganize itself in the near future. Administrative efforts to promote "comprehensive planning and interagency coordination," (a favorite pasttime for many public employees) between and among programs funded though separate federal agencies are largely wasted. Effective program consolidation cannot be accomplished with administrative "memorandum of understanding."

5. Without a well directed and concentrated effort by state and local governments, the remaining flexibility under CETA--either through legislation or by administrative directive--will be re-categorized and centralized. The modern federalism concept of shared functions will remain, but roles and relationships in the intergovernmental system will revert to the categorical pattern. Policy and program decisions will be made in Washington, and state and local governments will be responsible for local program administration and delivery.

VI. RECOMMENDATIONS

Consistent with the preceding analyses and observations, several recommendations are presented for consideration by the National Commission for Manpower Policy. To draw a clear distinction between the real and the ideal, the recommendations are divided into short-range -- those having reasonable expectation of implementation within the existing intergovernmental infrastructure -- and long-range -- those recommendations implementable only after significant institutional modifications. This delineation is not without rationale. Often public resources are totally directed toward long-range, inachievable goals leaving no time or effort for concentrating on short-range, achievable tasks. Emphasis here is to encourage attention to this latter activity.

Short-Range Recommendations

1) Develop a clear, consistent national policy goals and objectives framework for CETA-funded manpower activities.

2) Develop and implement a consistent national manpower program delivery system within the above framework which:

   (a) recognizes and accepts the conceptual differences between manpower training and public job creation activities;

   (b) delineates the roles and relationships of the major actors within the intergovernmental infrastructure as established under CETA;

   (c) consolidates those Titles of CETA which authorize highly similar program activities, i.e., Title I with Title III and Title II with Title VI;

   (d) defines the "manpower problem" in terms of the dysfunctional aspects of the labor markets -- structural problems on both the supply and demand side of the labor equation -- rather than in terms of the demographic or socio-economic characteristics of the victims.

3) Identify and concentrate administrative efforts to group related yet separate manpower activities authorized under existing legislative authority, first within the Department of Labor and subsequently within other federal executive departments and agencies.

Long-Range Recommendations

1) Encourage and support legislative efforts to integrate Wagner-Peyser funded employment services functions with CETA. The

philosphical concepts as well as the basic intergovernmental infrastructure embodied in CETA should prevail.

2) Encourage and support the integration of the WIN program with CETA.

XV. MANPOWER PROGRAMS AND SERVICES - THE INFRASTRUCTURE FROM THE LOCAL PERSPECTIVE

A PAPER BY

EUNICE ELTON, DIRECTOR
MAYOR'S OFFICE OF EMPLOYMENT AND TRAINING
CITY OF SAN FRANCISCO

MANPOWER PROGRAMS AND SERVICES
THE INFRASTRUCTURE FROM THE LOCAL PERSPECTIVE

With passage of the Comprehensive Employment and Training Act in 1973 came a mandate for all of us, local, state, federal, public or private, to achieve in the manpower world:

decentralization - putting decision-making and operation into the hands of the local political body

decategorization - freeing manpower funds so they may be used flexibly to meet identified local needs, and

coordination - to bring the many manpower pieces together into a system which diminishes duplication, utilizes the greatest strength of manpower organizations, and provides augmented services as a result of the economies achieved.

What is our present box score?

From the local perspective, not very good. But I think with the sincere help of the Congress and various federal, state and local officials, it could be turned into a good rating.

Decentralization has been achieved, up to a point. Prime sponsors are being given allocations of funds through the various channels; local officials and their planners are able, within substantial constraints, to plan and administer manpower programs.

Prime sponsors are not, however, having the opportunity to set their own priorities, or even recommend priorities, for use of federal discretionary funds, or (in California at least) for use of the Governor's 4% money. We leap at the opportunity to apply for funds offered in any specific category, of course, for we are woefully short of money for every manpower purpose; but we have no way to bargain for funds from state or federal sources to get them allocated to our most urgent needs.

I feel like a broken record in repeating, as I do so often, that we have no way to comment on proposed direct national-office funding of specific projects (such as funding of a special Native-American program to operate in my community), to comment, even, on their adequacies, or to offer local monitoring, reporting, or coordination.

So it is that we find ourselves with two sets of categorical manpower programs, determined outside the local prime sponsor's jurisdiction, set in local, "decategorized" scene.

Manpower programs are not, of course, just training and employment programs in an isolated world; they are intimately related to other parts of the social scene, for example, income maintenance programs. So how is our coordination working out in these areas?

Pollyana can say "well", for we're not at odds with the administrators of those programs. But let's look at what has happened.

Mine is an "inner city", with a welfare load growing continually (now 1 in 7 residents), unemployment well past the 12% rate and climbing, declining blue-collar employment, and a declining officially counted population. Our manpower funds have been shrinking 10% at a time, year after year under the CETA formula. But in these past two years funds for WIN training of persons in the AFDC public assistance load have been terminated, and dropped from the administration's future budget. In the name of "coordination", the word is "manpower training for AFDC clients can be obtained from the prime sponsor". Legislation and regulations which provide for retraining under the federal supplemental benefits program and the Trade Adjustment Act all provide authorization and policy, and say "get your manpower funding from the prime sponsor-use their money".

Everyone is in favor of coordination, of course, when it is done to the other person. But the kind of coordination we're getting in this particular area intrudes on local decision-making as to priorities, and in a hidden way decreases the total funding available to the local community for attacking its monumental employability problems.

We see four outside major forces in the manpower world with which coordination is imperative, before we can have a comprehensive manpower program: the worlds of education, rehabilitation services, public employment service, and the federal establishment itself. How are we doing here?

Locally we're getting along fine with the school system; they're putting hundreds of thousands of dollars into instructional costs for programs for which we are providing allowances and other costs. They serve actively and vocally on our Manpower Planning Council and its committies, and while we do not have the same bind of input into their planning processes for vocational education, coordination is good at the operational level.

We cannot say this, however, of our relationship to the State Vocational Education System. Prime sponsors (fortunately not this one) are still struggling to get concurrence in a single effort using CETA dollars. State paperwork requirements are given us late, with due dates which make coordination with other Title I planning impossible, and with arbitrary decisions (limits on administrative costs) given to us after-the-fact. Statistical reporting

and financial control are not integrated into the record-keeping systems of the prime sponsor even where we are providing parallel funding of the same manpower program. Ours is more an arms-length relationship than one of coordination, in the planning and operating processes. We suggest that the "Governor's 5%" money should be administered (record keeping and accounting) through the prime sponsor's centralized system.

I'd like to be able to say we have a coordinated effort with the state agency furnishing rehabilitation services. They too are suffering from declining resources. The fact is that there is referral of applicants and clients from one to the other through working staff members, but there is no coordinated planning or program. Local rehabilitation officers do not make decisions in planning matters; this is a top-down line operation, and no channel for influencing those decisions has been opened up through the State Manpower Services Council or the office of the Governor of our state.

Prime sponsors vary in their attitudes toward the public employment service, and in use of its services, for a multitude of reasons. In many of the large cities this stems from the days of the Concentrated Employment Programs, when local anti-proverty agencies generally took the view that "we can do it better ourselves", and were later forced into a very reluctant shot-gun marriage with the local employment service. In a few cases there is real incompetence or unwillingness on the part of ES representatives to give priority attention to the economically disadvantaged. I suspect, however, that most of the reluctance on the part of prime sponsors to tie into the employment service stems from the prime sponsor's and the community's inability to control what is done. And this is not the fault of individuals, but of the system.

Employment service decision-making is not a local function; the local manager does not get to decide whom he will serve, to whom he will give priority of services. He gets mandates from the Congress, from the feds (through his state superiors, of course), and sometimes from the state legislature as well as state administrators. Those mandates determine where he will use his resources, what records he will keep, what definitions he will use in measuring his accomplishments, and even what accomplishments he will measure. While from time to time a citizen advisory committee may be established at the local level for a specific purpose (like giving the veterans an opportunity to comment on the services they are receiving), no local or even state citizen advisory committee that I know of has any substantive influence on what is being done in the employment service.

So it is that prime sponsors, are frightened to see, reported in the IAPES News* a front-page banner headline;

QUESTION: Is ES-CETA Merger a Future Prospect?

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*August 1976 publication of the International Association of Personnel in Employment Security.

followed by a statement from Robert Jones, Office of Community Employment Programs, that he "didn't believe Congress would continue to pour funds into both programs without assurances that they would at least be coordinated". Coordinated by whom? and under whose rules?

Similarly, a policy instruction issued by the national office of the Employment and Training Administration directs that the employment service shall provide certain placement services to prime sponsors, and that CETA prime sponsors shall utilize those services and explain in the FY 1977 Title I proposal how those services are to be utilized. (By way of comment, this instruction issued August 20 in my Region could have extreme impact on a prime sponsor whose plan for Fiscal Year 1977 had to reach ETA in draft form on July 15, and in fanal form on September 2).

From the viewpoint of most prime sponsors, the employment service is a creature of DOL, controlled by DOL through its funding and conformity powers, and uninfluenced and un-influencable at the local level.

In all three of these areas, then (education, rehabilitation, and employment service) we have areas urgently in need of coordination which cannot be achieved at the local level. Some effort toward coordination could certainly be brought about at the state level by opening channels of positive communication, despite the dependence of the state on federal funding in some cases. The Govenor can exert influence. And the absence of that state-level effort through the Governor or the CETA office can be attributed, I believe, to fear of the pressures for local decision-making which do come, and will continue to come, from local prime sponsors and their constituents.

Dr. Curtis Aller, professor of economics at San Francisco State University*, has stated in a recent presentation his belief that the employment service should be freed from federal management and allowed to function as a true state service. I'll buy that, provided in doing so local communities and counties are given channels for effective local participation in policy-setting for services in their local areas. Otherwise we're simply substituting one remote bureaucracy (though less remote) for another.

That brings up the State CETA office, and the State Manpower Services Council, charged with evaluation of the plans of the local prime sponsors and efforts to bring about coordination among the prime sponsors. In our state those efforts have not been effective, if made. There is need for effective efforts at the state level, as I have been saying.

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*A statement on June 16, 1976 to joint hearings on the relationship between employment services and unemployment benefits programs of the Subcommittee on Manpower, Compensation, and Health and Safety, Committee on Education and Labor and Unemployment Compensation, Committee on Ways and Means.

Finally, there is the question of the prime sponsor's relationship in sharing manpower responsibilities with the Department of Labor and, primarily, its Employment and Training Administration as well as other federal agencies. In my Region, at least, the DOL "feds" have been very careful not to step on the toes of prime sponsors in relation to decisions which they feel are the responsibility of the latter; there has been a conscious and conscientious effort to understand DOL's redefined role and try to live with it, and to give us the technical assistance we need, when they can. I want to acknowledge that relationship, which I believe to be one of the best in the country.

But as a prime sponsor I'm going down in a sea of paper. And the problems I will describe here stem directly from ETA's efforts to follow the dictates of the Congress as expanded in the Federal Register.

Money flows to the prime sponsor under a grant made after submission of a proposal - either new or modified - which is completed in accordance with detailed instructions issued by ETA. Our title I grant, for employment and training of persons with employability problems, has been modified 12 times with major modifications in a 26 month period; that's an average of a proposal or major modification every 2 months.

Our Title II grant for public service employment for persons with employability problems, in effect for the same 26-month period, has been modified 11 times. Our Title VI grant, to provide public service employment as a counter-cyclical device and in effect for the 15 month period ending Septemter 30th, has been modified 5 times. That makes a total of 28 contract modifications, and the accumulated paper in those submissions and officially-signed grant documents measure more than 3 inches.

During the same period, of course, we've prepared proposals and contract documents for three summer youth programs (each modified at least once), a special Title III grant we received and another two we didn't receive, and IPA grant and two special research and development grants (the latter three now terminated) and three grants for funds for recreation-support summer programs.

One thing doing us in is the requirement to document in each proposal things which do relate to the effective administration of a comprehensive manpower program, but which in many cases only "need" to be documented in the grant document if the funding agency says so. One recent example is the requirement, issued July 29, for inclusion in the proposal for FY 1977 (draft due in July 15) of certain affirmative action efforts of the prime sponsor. Does this really have to be in each year's proposal, if we have not been found wanting in this area? Do the By-Laws of our Manpower Planning Council really have to be in our proposal?

Admittedly, requirements for our FY 1977 proposal were better than those of the prior year; our Title I proposal shrank from last year's 72 pages to a more modest 45 pages, this year. Exclusive of boiler-plate.

These proposals, however, have to be written, edited, typed, and duplicated. The sheer documentation effort, quite aside from the background planning, is eating us up. We need relief.

Another area in which we are hurting is the planning cycle. I've mentioned in this paper a couple of last-minute instructions which have come after deadlines for submission of documents. But the problem is bigger than that.

At the end of December 1975, a release from ETA set up a planning cycle which gave us, for Titles I and II a time schedule for development of proposals for submission on September 2 and funding on October 1, 1976. Surely eight months should be long enough to put a plan together, right?

Wrong. The schedule broke down, in these major ways.

(1) Publication of the final rules in the Federal Register occurred on June 25, not on June 1, giving us very late instructions which had to be used for our July 15 submission;

(2) Title II planning dollar estimates, due in our hands on June 15 under this schedule, had not been received by September 9;

(3) A preliminary copy of our grant application under Title II was due at ETA on 7-15-76; it has not been submitted since we have no planning figures. Interestingly, we also have no written waiver of this submission requirement, or the September 2 date for a final proposal submission.

I am confident we'll get some kind of authorization to continue spending money for Title II purposes, from some source, and be repaid. The point is not that people will be laid off, but rather that rational planning in the prime sponsor's administrative offices is a sometime thing, and the juggling of fiscal accounts chews up a lot of time, even when authorized.

There also needs to be an improvement in the timing of discretionary grants and grant proposals. Two examples will explain:

This summer we were fortunate in being one of the cities given a discretionary Title I grant of $1.4 million to augment the summer youth employment program. The money was allocated when we were already in the third week of our summer employment program, without a prior hint that this funding was coming. Good planning and operations at the local level would have been enhanced by a much earlier decision.

In midsummer we were invited to submit a proposal for an innovative manpower program which would compete for Title III funds with other prime sponsors. The date for ETA to issue a decision as to what prime sponsors would be funded was September 2 - the same

date on which our final Title I package had to be submitted. There was no way to plan to integrate the Title III program into the total effort, if funded, or to consider the innovative proposal for funding from Title I resources when it did not get Title III money (and it did not).

This brings me to a major question: is it possible for a local political entity to plan and operate a comprehensive manpower program? I believe it is, but some things need to be changed.

First, we need longer-range funding commitments, and better lead time, on actual dollar levels. Let me tell you what happens.

I've mentioned above that we've submitted a Title I employment and training plan based on a planning figure received in June, which is 90% of last year's funding level. Suppose, as a prime sponsor, the formula this year doesn't drop our funding to the 90% level (a recurring dream, but never yet a reality); suppose, in fact, that we get 100% of last year's amount, and that we get the figure by October 1. It will take us at least a month to draw up staff plans for use of the additional money, run the proposal through our Planning Committee and Manpower Planning Council, and get permission of our Board of Supervisors to apply for, accept, and spend the money. By that time there are only 11 months left in the year. So we can spend at 109% of our funding level, instead of the 90% at which we start. Or perhaps we'll get a discretionary grant in December. We could then cut-back at the end of the year, again to the 90% level. This kind of build-up and cut-back operation is not good for program performance, and gets a prime sponsor into political problems with competing applicant groups.

Obviously, the answer is to do contingency planning. But for what level of contingency? The factors which get into our funding include the appropriation level, not yet set by the Congress, our fluctuating unemployment rate, various other population factors about our community, and comparable information about every other potential prime sponsor in the country. If Kansas City's unemployment goes down, a few more pennies will accrue to San Francisco.

It would be nice to have some solid facts to work with. Otherwise we get into risk-taking that works, but is hard on the blood-pressure when it is based on finger-in-the-wind information.

There is a worse problem. San Francisco's City Controller is required under the City charter to commit funds only to the extent he has them. He cannot certify that portion of a contract of ours which extends beyond the duration of the related grant, so no dollar commitment can be made beyond the grant period. Now, in the first year of CETA grants there was a nice statement on the Grant Signature Sheet for the period July 1, 1974 to June 30, 1975 which said "Subgrants and contracts extending no more than one year beyond the termination date of this grant may be entered into by the grantee."

We could write an OJT training contract, then, which started in May of 1975 and ran to November 1975, and the Controller could process it, even though our grant ended 6-30-75; he simply reserved that much money.

That dandy statement disappeared the following year. Here is what happened in just the last four months, as an example of the result.

> Because a fifth quarter was added to Fiscal Year 1976, the ending date of our basic grant was extended from June 30 to September 30, 1976.
>
> An OJT contract for a six-month period, then, starting in May of 1976 could only be certified to the Controller for the period ending June 30, initially; we had to explain to the employer that while we intended to meet our commitment for a six-month period, we could only enter into a written contract for two months. Then we certified it again to the controller for three more months for the Transitional Quarter, and explained again to the employer; finally, when we get our FY 1977 funding, we'll again certify that contract to the Controller, and again notify the employer.
> If the employer is normal, he'll consider this bureaucratic inefficiency at its worst. He has to sign the papers, so he "knows."
> As a result of this ending-date problem we have had to prepare a contract and two modifications for every subcontractor and every OJT employer commitment (some 100 or more).
> And the Controller has had to process all three documents for all one hundred.

To the question: should planning be done for a longer period, then, I can only shout an answer of YES; we need to be able to plan ahead, to be able to commit dollars for that longer period, and we particularly need to get out from under a major part of the related paper-pushing.

Looked at from the viewpoint of the community contractor, too, we need multi-year planning. How can a subcontractor know whether to sign a lease or install a needed telephone, when not assured on August 1 that it will be our subcontractor on October 1? The undertainty of funding levels also causes staff attrition of the strongest personnel, both from prime sponsor and subcontractor staffs.

What we really should be doing now is planning for Fiscal Year 1978, as we go into Fiscal Year 1977.

I am aware that the needs I've just talked about must be addressed by the Congress. But at this time of the oversight hearings, the need must be expressed loudly and explicity. It is not a matter of wanting to prolong the

security of the program. It is a matter of wanting to introduce efficiency that now is simply missing as we plan hastily in response to crisis after crisis.

There are some other viewpoints which may be peculiarly those of local manpower professionals, and which should be stated here.

Improvements and changes needed in the Legislation or Rules

1. The funding formula needs to be revamped to increase the allocations to problem areas where unemployment is not only high, but also has its basis in structural unemployment which will not go away simply because we ignore it or because overall unemployment goes down. Funding just at the 1972-73 level (pre-formula) to my community would mean a 50% increase from our present CETA resources (and unemployment here is far above the 1971-72 level).

2. We need relaxation of some constraints on use of CETA money.

   Responding to what may have been mis-use of Title I money to support costs prohibited for Title II and VI purposes, ETA has issued orders prohibiting the use of Title I funds for those purposes. Fine. But it results in a Hobson's choice: either I have multiple accounting staffs, or we have to go into time-proration plans to allocate costs among our multiple programs and grants. My time should be allocated to at least five grants and so should the time of every senior employee of my office and many others in varying proportions. Telephone costs, supplies--all costs should be so allocated.

   Under PSE we can't rent premises. My Title I-funded staff, then, is in rented quarters (there's no room in a City-owned building), but my PSE staff is housed in deteriorated and condemned quarters some blocks away. Is this efficient use of anyone's time and money?
   If I take the mandate seriously, I suppose I should not be using Title I funds to plan and develop proposals which might result in Title III funding. How do you get a new grant, in that case?

   I'm only saying the concept is valid, but carried to its logical end the result is ridiculous. We should be able to meld and tie pieces together without creating an accounting monster, if we are to administer a comprehensive program.

3. A provision of the law which needs modification is the one which prohibits the use of CETA funds as local matching share for other federally-funded programs. I don't understand why there is the prohibition, but I do understand the result. Example:

Recently a federal agency outside the Department of Labor offered the Office of the Mayor a grant to fund some economic development-related activities, but a local share is required. $10,000 or less of our CETA money would probably bring $25,000 of their money for an effort to improve the chances of small, minority-owned enterprises, to suceed.

4. We still need a modification of the legislation to make feasible upgrading programs for the near-poor who are employed. The effect of our present legislation is to say a participant "Once you take a low-level, barely subsistence job, we'll not lift a finger to help you progress, despite your aptitudes, your financial needs, or your motivation".

   We're simply not addressing this problem of true underemployment. And we note support of this need from the report of the American Assembly's May conference in New York.

5. I commend to the Commission for incorporation into CETA the proposed eligibility criterion in the Esch-Kemp bill which would tie the definition of economically disadvantaged to a percentage of the BLS lower standard of living figures. These locally-calculated standards are a vast improvement over the present OMB-approved criteria which apply nationally and which make no allowance for high-cost areas like Seattle, San Francisco-Oakland, and Boston.

National Manpower Policy Considerations

6. National manpower policy does need to come into being. It needs to be a singular policy, built to make it possible for those who want to work to have jobs.

7. Economic development, through the Departments of Commerce and Labor, is marching more or less in one direction though through separate bureaucracies and paperwork. At the same time decisions of the Department of Defense concerning maintenance or closing of military bases are made based on an entirely different rationale. A series of decisions to move the home port of an aircraft carrier, or to relocate federal operations from my City to other areas (as internal revenue to Fresno and to inland states) have seriously impacted San Francisco at a time when we have other employment problems. Closing or, for that matter, opening or relocating federal establishments should not be undertaken without examination of a manpower-impact-analysis, parallel to now-required environmental impact statements.

8. We need to recognize the statement of the American Assembly* that:

"The ability of the nation to meet its manpower goals depends on having in place a comprehensive and flexible manpower system. The ad hoc nature of many of the responses to the recession of 1974-75 underscores the need for action in this area. The nation needs a system which can effectively meet the continually changing which are characteristic of our dynamic economy."

Certainly they are not talking only of CETA as deliverer of a comprehensive and flexible system. It will require action at the Cabinet level and in the Congress to move HEW and the HEW-funded programs and others such as LEAA into concerted development with DOL of a comprehensive manpower system. It will require action at the Cabinet level, too, to bring about coordination even within the Department of Labor group of manpower programs - employment service, apprenticeship, special programs for women and children, and CETA, to start with. So far we are not seeing that coordination effective at the local level.

CETA Manpower Strategies

9. For a local comprehensive manpower system to suceed, it must be locally-planned and locally adopted, and strong community-based participation is imperative. It takes a skillful tight-rope-walker to develop a Manpower Planning Council which is representative of the community, knowledgeable about the various program options, fair to all the differing claimants for attention, willing to put in a lot of hours when needed, and still willing to accept an advisory, rather than decision-making, role. As I see it, the investment in time and energy to build such a Council is worth the effort, and it is essential if the program is to be responsive to community needs, and still subject to reasonable administrative constraints. The Chief Elected Official needs that help, but he can't divest himself of the ultimate responsibility, for the program, nor should he.

10. Efforts to reduce the pre-person-served costs, implicit in the ETA's newly released Title I guidelines, work against the development of innovative programs, and against programs of service to welfare recipients, ex-offenders, drug abusers, or other hard-to-serve groups. The pressure on costs will result in creaming, unless offsetting standards of measurement are developed which reward the prime sponsors for trying to do that which is difficult.

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* "Manpower Goals for American Democracy", a report of the American Assembly based on a New York conference May 20-23, 1976.

11. Prime sponsors are reading a good deal about an undesirable increase in work experience programs. Assistant Secretary Kolberg has been quoted as saying* he "forsees a revised CETA program in which a larger percentage of OJT is mandated to stem the rising tide of work experience programs". We don't have such an increased work experience program, and I don't know where it exists. But two things I do know:

    The language we are hearing which says "now that the economy is improving more OJT is in order".....does not square with the National Alliance of Businessmen's requested substantial drop in OJT dollars to be set aside for this year; nor does it square with a rising unemployment rate in this state and in this community;

    When more than $1.4 million dollars is dropped in our laps in early summer, with a public announcement that it is for summer youth programs, there is no way we're going to be able to put it to immediate use, in the summer, for much other than work experience programs.

    It's probable I'm being bedeviled again by national averages and national problems. But the in-language is "now that the economy is improving CETA should change...."

12. We commend the recommendations of the National Commission for Manpower Policy for suggesting various forms of job creation activities, and efforts to promote entry-to-work activities for the youths of this country; similarly, we are pleased to see attention, through the Esch-Kemp bill, to the youth problem, and their proposed Youth Incentive Program.

    Certainly we are supportive of the concept, and of efforts to provide through legislation for year-around financial support of youth programs, as in Congresswoman Shirly Chisholm's proposed legislation.

    I urge, however, that legislation be so designed as to allow local determination of the proportions of appropriated funds to go into summer temporary employment programs, into year-around in-school programs, and into year-around out-of-school efforts. Not all communities have the same problems, nor even the same potential for corrective efforts. Freedom for local decision-making here is as important as in Title I programs as a whole. We see an increasing trend to categorize youth money; we welcome seeing it designated as "youth money", but want room to innovate and tailor-make our responses.

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*Quoted in the August 1976 IAPES news as making this statement at the annual conference of the National Association of Counties.

In the summer of 1976 we were funded for more than $4.1 million of "summer youth" money; for FY 1977 we have $6.48 million for adults and year-around youth problems. We're grateful for the money, but want to use it as wisely as possible.

13. In drafting a national manpower strategy, provision does need to be made for an expanded program of sheltered and supported work; and funding sources need to be realistic in their expectations.

14. The National Commission for Manpower Policy has recommended phasing out the Title VI-type public service employment. While that may appear logical based on national averages and a belief that the economy is improving, it is not logical in all geographic areas. To the contrary, the program needs to be continued, perhaps tied to somewhat tighter criteria of area and personal elibibility. Ties to training programs should be encouraged, and there should be some reward for achieving transition to unsubsidized jobs.

15. Prime sponsors are, I believe, having insecurity feelings which result from a number of things: the continuing pressure from certain nationally-recognized "community-based agencies" for direct DOL funding, without commensurate responsibility to the local community; the long delay in appropriations and legislation; the issuance of guidelines by ETA which appear to us to be designed to compare apples and oranges unwisely; threats of "coordination" with the employment service; and the verbal push for local coordination in contrast with language in the appropriations bill, for example, which urges that Title IX funds be used for national (non-local) contracts for services to older persons. Does anybody love us?

Finally

16. These pages have presented a lot of arguments as to how manpower planning, programs, and services can be improved, from the local viewpoint.

They have not acknowledged, to now, that in our manpower training programs we are equipping people to compete for a limited number of jobs; that our public service employment efforts provide exxellent services to our citizens, but rarely lead to transition to unsubsidized jobs in a very depressed economy; and that what we really need is a job creation, so that an increased number of job openings can exist in the community.

If national manpower policy can address the problem of an expanded economy, and give impetus to an improved job market, the effectiveness of manpower employment and training programs will really be stimulated. And given adequate manpower resources in terms of both money and cooperation, the prime sponsors could do an effective job.

As we see it, national policy should set the framework and incentives for national economic expansion; and decision-making, implementation, and evaluation should be at the local level. We hope the manpower planner will be part of that local action.

XVI. INCOME SECURITY AT THE LOCAL LEVEL: CROSS LINKAGE BETWEEN EMPLOYMENT, TRAINING AND TRANSFER PROGRAMS

A PAPER BY

PHILIP J. RUTLEDGE, DIRECTOR
INCOME SECURITY POLICY STUDIES
NATIONAL LEAGUE OF CITIES AND
U.S. CONFERENCE OF MAYORS

INTRODUCTION

During my personal career I have moved alternately between the management of manpower programs and the management of income support programs. Over most of that time these programs have been viewed and administrated separately. The thesis of this paper is that manpower, social insurance and income support programs must be viewed as complementary parts of an integrated income security system.

The elements of the integrated employment and income security system are the continuum of programs which allow Americans to improve their quality of life, and which allow the nation to meet the goals of:

*A job for all persons willing, able and seeking to work, accomplished mainly in the private sector, but also through private and public partnerships which create additional jobs.

*Social insurance or wage replacement for those with labor force attachment or those who are temporarily disabled, dislocated or retired.

*Income support for those for whom work is inappropriate or unavailable.

These national goals would be fulfilled through a comprehensive approach which includes the provision of jobs, of social insurance, of pensions, of income support, and of tax expenditures or redistribution. When any of these elements is absent or inadequate, other components of the comprehensive system would be used to compensate for the inadequacy.

There are a number of underlying reasons for the changes which have taken place in the manpower programs and I would like to discuss them in the context of their relationship to our income support system. Those changes are (1) the new composition of the nation's labor force, (2) the greater emphasis on decentralization and decategorization, and (3) the influence of the new Congressional Budget process.

The primary objective of the nation's manpower programs -- or employment and training programs as we now call them -- has changed little. It has been, and still is, to place as many persons as are able and willing in the labor force into meaningful jobs which make optimum use of the individual's skills and abilities. Preferably the private market place will provide adequate jobs to meet this objective; should that fail, then the public sector must step in to provide job opportunities.

This simply stated objective has not been achieved. We have had, and will have for some time, unacceptably high levels of unemployment. We need to take positive steps to reduce these levels by attacking the factors which are causing unemployment, and which result in a relatively ineffective manpower policy.

FACTORS FOR CONSIDERATION

The structure of the labor market has changed. No longer are we dealing with a labor force consisting primarily of mature men with a long attachment to the labor market. We are not dealing with greater proportions of the youth who have no previous work history, with women who have a tendency to drift in and out of the labor markets, and with minorities who have a weak attachment to the labor market.

To substantiate this description, one need only look at the July 1975 analysis of the unemployment labor force. On a seasonally adjusted basis, there were 7.4 million unemployed or 7.8 percent of the labor force. But 1.6 million of these persons were under the age of 20; the unemployment rate for them was 18.1 percent. Of all the unemployed, only half had lost their previous jobs. New entrants, a major new component, accounted for 10.7 percent, and re-entrants, mainly women coming back into the labor force after taking time off for family reasons, were about 25 percent. The remaining 13 percent had quit their old jobs without having a new one in sight.

The July unemployment picture for white males 20 years of age and over was 5.7 percent, and for white females 6.9 percent. For Blacks the rates climbed to 10.3 percent and 11.7 percent. And for Black 16 to 19 years old, both male and female, the unemployment rate was over 34 percent.

This analysis of the unemployment pool indicates that there are new factors in the labor force which are quite different than those with which we have contended in the past--

- o The increasing participation of women and the peculiarities of their participation in the employment market;
- o The pockets of unemployment which can be defined in terms of age, race, unmarketable skills, and sometimes geographical displacement;
- o The similarities in characteristics of the unemployed pool and individuals in the public assistance programs; and
- o The presence of a substantial transfer payments cushion which eases considerably the discomforts of unemployment.

A high percentage of these groups is closely related to the income support system, which is dominated by women and which has an over-proportionate number of Blacks. Most of those covered under the income support system can be classified as having a weak or no attachment to the labor market, and poor or little job orientation due to factors of age, racial discrimination or other economic dislocation. This changing composition of the labor force is a major factor with which both the employment and income security systems must contend. Another important factor is the elaborate coverage by unemployment insurance, food stamps, and other systems of transfer payments which, in some cases, make work less attractive and at times an economic sacrifice.

The decentralization and decategorization of federal programs on the one hand, and the movement toward welfare reform on the other, create potential conflicts that must be faced in light of these initiatives. There is little doubt that the federal government is serious about decentralization, at least at the policy levels. Throughout the federal system there is increased emphasis on placing greater authority for the operation of programs at the state and local level, and to place with elected officials accountability for the operation of the programs. This is appropriate. State and local officials understand the unique needs within their areas and can be most responsive to changing conditions. They are closest to the private sector, which must be an active partner in any jobs creation program.

New welfare reform efforts appear to be moving in the opposite direction--toward greater centralization and toward a greater role by the federal government. Most large cities and most states want to be rid of the responsibility of administering welfare programs. Yet the population served by the employment and income support programs are the same for the large percentage of the cases.

If we are to have a national discussion on the integration of employment and income support programs, we must analyze carefully the impact of the decentralization of the functions under one, and the centralization of major functions under the other. What activities in the income support system must remain at the state and local levels of government in order that they relate to and complement the employment planning and implementation? Should welfare program activities be separated in order that some parts may be federalized and others remain local responsibilities?

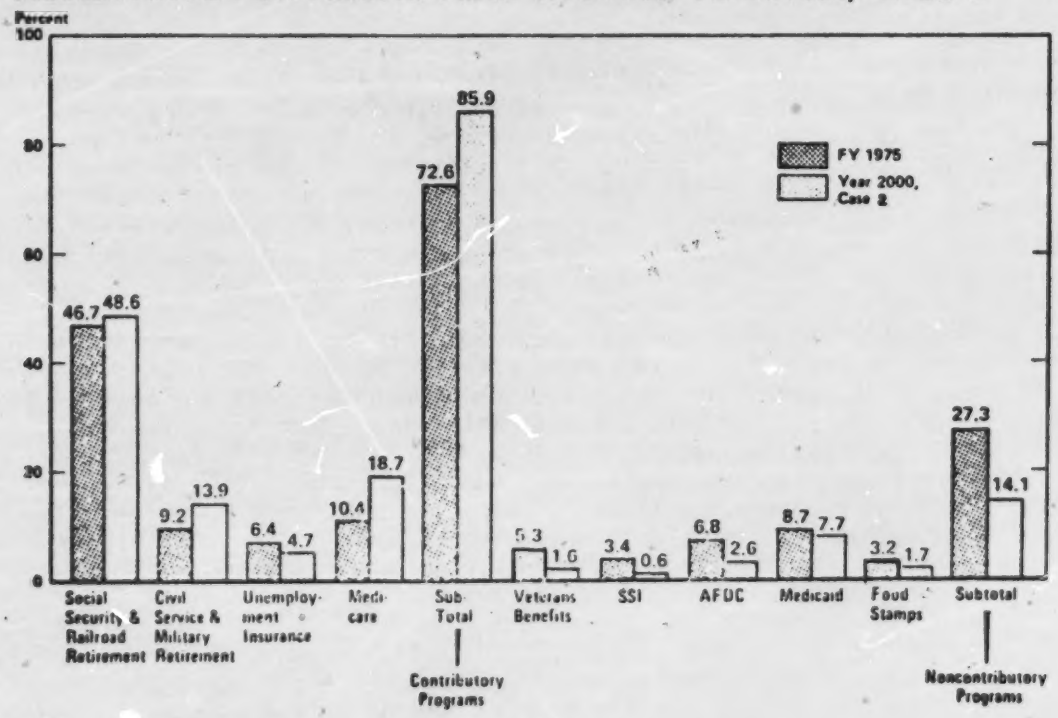
Before launching into my views about possible answers to some of the questions I have posed, I will raise one more factor which has become a major influence in determining the direction of manpower policy planning--that is the new Congressional Budget Act. which has set ceilings for the first time on Congressional spending. As a result of the efforts of the House and Senate Committees, Congress has become a leader in the setting of priorities and program directions for employment programs. Congress has moved to combat unemployment through direct job-creation programs, while the Administration has relied on its economic policies to restore economic growth and create jobs in the private sector.

On the other hand, Congress has failed in its attempts to develop a positive strategy in the income security programs. The pressures are substantial because of the rapid growth both in contributory and non-contributory programs. Expenditures for the programs grew from $26 billion in fiscal year 1955 to an estimated $143 billion in fiscal year 1975. The relative growth of federal, state and local spending, which expanded from 26 percent of the Gross National Product in fiscal year 1955 to 32 percent in fiscal year 1975, can be attributed almost entirely to the growth in spending in income security programs.

The future growth may be less spectacular than that of the past twenty years. There will be fewer new programs, the benefit levels which have risen sharply in recent years will stabilize, and the slowdown in population growth will affect the increases in the number of program participants. The growth will not be inconsequential, and will force more immediate attention in the Congress on the most appropriate means of integrating the programs. The Congressional Budget Office has projected the growth in program costs for fiscal year 1975 and the year 2000; those figures are shown in Table I.

TABLE I

PROGRAM COSTS AS A PERCENT OF TOTAL FEDERAL INCOME ASSISTANCE FOR FISCAL YEAR 1975 AND YEAR 2000, CASE 2



The dilemma arises in dealing with differing views on the integration of employment and income support programs which face very different pressures at the Congressional level. Congress will begin to assume a greater role in the shaping of national policies as a result of the comprehensive approach which they are now forced to use under the Budget Act. That influence will be felt not only in funding levels but in the legislative approaches that are enacted in the face of resource limitations.

THE FINANCIAL PLIGHT OF THE CITY

Much has been written recently about the decline of certain major cities as a result of the recent recession. The decline has been a result, also, of the migration patterns of the 1960s and of the increasing burdens placed on cities as a result of the growth in income security programs. My office of Income Security Policy Studies within the National League of Cities and U.S. Conference of Mayors recently completed an analysis of the effects of Income Support Programs on Cities.

In that report, the unevenness of the burdens are identified--most of the larger states require local matching of public assistance costs. In addition, the dual effects from the high rate of unemployment and the fiscal crises at all levels of government are analyzed. Despite the assumption by the federal government of increasing proportions of the social welfare expenditures, the costs at the local level have doubled or tripled over the last eight years. A review of expenditures for both the Aid to Families with Dependent Children Program and the General Assistance Programs is shown in Table II.

This large increase in costs can be attributed to a number of factors. Most of the older or highly urbanized cities have a high percentage of persons receiving public assistance. The rate of unemployment in February 1975 and the percent of the city population receiving public assistance for ten large cities is shown in Table III.

TABLE II

PUBLIC ASSISTANCE CASELOADS AND EXPENDITURES FOR SELECTED CITIES: 1968-1975

	FEB 1975	FEB 1974	FEB 1973	FEB 1972	FEB 1971	FEB 1970	FEB 1969	FEB 1968
LOS ANGELES								
Families or Cases (AFDC)	172,148	169,158	181,375	188,032	175,120	125,955	94,692	73,226
Payments (000s)	44,302	38,574	40,412	41,820	36,699	24,470	18,003	12,998
Families or Cases (GA)	15,832	14,167	14,663	23,386	45,439	23,445	20,998	15,732
Payments (000s)	2,005	1,458	1,338	1,361	3,610	1,600	1,220	1,014
CHICAGO								
Families or Cases (AFDC)	149,963	148,525	143,631	124,338	87,755	62,357	52,722	43,664
Payments (000s)	$50,815	40,097	35,442	30,058	21,625	14,697	11,697	9,470
Families or Cases (GA)	51,265	46,242	38,379	32,776	39,702	25,445	19,933	16,493
Payments (000s)	$7,332	6,619	5,402	4,287	6,014	3,672	2,251	1,827
DETROIT (WAYNE COUNTY)								
Families or Cases (AFDC)	86,669	83,432	78,537	65,374	41,593	29,832	23,646	20,976
Payments (000s)	$24,762	22,089	19,632	15,980	9,792	6,239	4,759	4,032
Families or Cases (GA)	36,361	29,967	33,000	32,851	26,938	13,117	10,684	7,103
Payments (000s)	$7,022	5,349	4,838	4,615	4,543	2,084	1,444	1,373
NEW YORK CITY								
Families or Cases (AFDC)	245,021	246,474	249,313	249,352	236,617	204,312	192,195	151,940
Payments (000s)	$79,646	88,776	68,889	59,849	63,367	52,527	47,464	37,933
Families or Cases (GA)	74,021	58,155	69,008	53,849	73,427	71,123	82,693	67,990
Payments (000s)	$14,444	11,699	9,411	7,567	10,889	8,946	10,301	8,449
PHILADELPHIA								
Families or Cases (AFDC)	74,452	70,147	69,903	66,755	56,507	41,296	30,556	23,857
Payments (000s)	$21,287	16,335	17,758	17,076	15,069	10,263	6,543	4,321
Families or Cases (GA)	43,404	35,631	38,997	41,258	32,562	21,791	13,600	9,847
Payments (000s)	$6,558	4,563	5,141	5,324	4,555	2,885	1,412	821
CLEVELAND (CUYAHOGA COUNTY)								
Families or Cases (AFDC)	41,615	39,650	40,058	36,818	28,714	19,315	15,325	14,279
Payments (000s)	$7,912	7,541	7,216	6,687	5,716	3,864	2,954	2,448
Families or Cases (GA)	11,919	11,436	12,389	17,992	15,090	10,567	6,842	5,867
Payments (000s)	$1,132	1,099	1,197	2,101	1,672	1,362	740	586
BALTIMORE CITY								
Families or Cases (AFDC)	40,726	40,114	39,526	34,607	29,825	23,764	20,160	18,824
Payments (000s)	$7,196	6,999	6,502	5,758	5,020	3,974	3,298	3,047
Families or Cases (GA)	10,208	6,799	12,770	10,786	7,411	5,404	4,992	5,872
Payments (000s)	$1,119	697	1,213	1,008	707	487	439	491

SOURCE: U.S. Department of Health, Education and Welfare, NCSS, Recipients of Public Assistance Money Payments, by Program, State, and County, Report A-8, February 1968-February 1975.

TABLE XXX

The ten urban areas with the highest proportion of the population receiving Aid to Families with Dependent Children assistance payments were:

	Proportion of the population receiving AFDC	Percent of the labor force unemployed
St. Louis City, Missouri	15.8	10.1
Baltimore City, Maryland	15.6	5.5
Boston (Suffolk County), Massachusetts	14.5	9.1
District of Columbia	14.0	4.8
Philadelphia County, Pennsylvania	13.9	8.8
Newark (Essex County), New Jersey	12.6	8.6
Atlanta (Fulton County), Georgia	11.6	7.0
New Orleans (Orleans Parish), Louisiana	11.4	7.3
Detroit (Wayne County), Michigan	11.1	14.9
New York City	10.9	9.9

SOURCE: U. S. Department of Health, Education and Welfare, Social and Rehabilitation Service, Recipients of Public Assistance Money Payments and Amounts of such Payments, by Program, State, and County, February 1975.

The factors which influence the size of the caseload are in many cases beyond the control of the city; they are decided in many cases by the state or the federal government and include:

*the unemployment rate, reflective of general economic conditions in the country as a whole,

*the level of welfare benefits set by the state,

*the eligibility rules and their relative restrictiveness,

*the degree of coverage of the population under public welfare programs, and

*the availability of supplementary assistance, including general assistance--more likely to be a city decision.

Regardless of the combination of elements which together contribute to the increasing caseloads, welfare programs are a significant problem for our nation's major cities.

AN OPTION FOR THE INTEGRATION OF EMPLOYMENT AND INCOME SUPPORT PROGRAMS

I have described a series of problems which must be addressed in any national discussions of the integration of employment and income support programs. There are a number of approaches being proposed by various groups for resolving the inefficiency, the fiscal and the equity dilemmas inherent in our current system. In recent months, there has been cohesion around the pressing need for action, and also around the notion of separating out the employment programs. The National League of Cities, through its Employment and Income Security Policy Committee, has constructed a framework which, although simplistic in some respects, provides a methodology for viewing each part of the employment, income support and social insurance systems consistently.

The Committee believes that every American who is able and willing should have the opportunity to work. For those who are unable to work, and for those who are disabled, retired, or who are temporarily outside the labor market, then there should be payments provided from the social insurance or income support programs. The levels of support for the individual should be adequate; the level of adequacy would preclude the need for food stamps, fuel stamps, housing assistance, or any of the myriad of supports which are provided because of the inadequacy of the payment. That level would be provided to all persons, as a supplement to low earnings, to social insurance benefits which are too low, and to those whose benefits under any program do not meet the federal standard.

This framework separates and consolidates the employment programs and the employment elements in the income support programs. It also reverses recent trends for long term benefits and returns the unemployment

insurance program to its original purpose--a wage replacement for persons temporarily displaced from the labor market. Those who are unemployed for a long term, would be provided training or alternate employment.

The restructuring would separate the persons receiving public assistance into employables and non-employables--those who are disabled, who have young children, or are exempted for other specified reasons. The persons termed employable would be part of the employment pool and would be trained or placed in appropriate work.

Under this construct, all the income security programs would be grouped and the employment components, along with the resources attached to them, would be segregated and pooled with all other employment and training programs. Income security would include social security, unemployment compensation, the Supplemental Security Income Program, and the other welfare programs which under the restructured system would have federal standards and federal benefit levels.

The primary focus of the work of the Employment and Income Security Policy Committee has been on employment. The group believes that by placing emphasis and by targeting the maximum amount of resources of this area, there will be beneficial effects on the income security system in general, and specifically on the public assistance programs within that system.

Consolidating and pooling employment programs is receiving attention within the Department of Labor, although only on a internal basis at present. There have been discussions within the Department concerning the notion of providing a flat payment for umemployed or underemployed heads of households who have a demonstrated attachment to the labor force. The payment would be viewed as a subsidized wage since each of the participants would be either in job search, training or employment. A uniform work participation requirement would be applied to the entire pooulation. There would be no time when the individual could passively collect benefits.

One of the most difficult problems for me personally and for many others is: what is the most appropriate work requirement? Currently, the Department of Labor is responsible for administering three different sets of work requirements. There is a separate requirement under law for recipients of three federall, assisted income support programs; the Unemployment Insurance Program, the Work Incentive Program and the Food Stamp Program. The potential universe of individuals subject to work requirements in these three programs is approximately 10 million persons. The word "potential" is used because under the limitations of current labor market conditions and federal funding constraints, the number of individuals who are willing to work cannot be tested adequately.

The basic purpose of a work requirement is to assure that employable individuals who are totally or partially supported by public funds, accept employment when it is offered. In return for receiving public assistance, the recipient may not reject employment opportunities which fail to meet his or her expectations. The recipient who is subject to a work requirement

must take any job which meets the minimum criteria set forth in law or regulations, as a conditions of initial or continued eligibility for the receipt of benefits.

Supporters of work requirements can be divided roughly into three groups. The first, and perhaps largest group, is composed of those who believe that the primary purpose of the requirement is to reduce public assistance costs and the caseload by insuring that as many persons as possible become employed and self-supporting.

The second group advocates work requirements because they believe work is of great benefit to the individual as well as to society. Some members of this group would advocate the creation of sufficient public sector jobs to allow all persons who are eligible to participate in employment programs if the private sector does not have a sufficient supply.

The third group maintains that the chief value of the work requirement is that it can be used to "test" an individual's willingness to work. If an individual is willing to work, then he or she is considered to have met the work requirement. Those who support this type of requirement believe that there are not sufficient jobs available in today's labor market to warrant a vigorous direct placement effort.

The dilemma posed by the various views on the appropriate work requirements and how it should be defined and implemented must be resolved before we move much further into the realization of the pooling concept. If we are to shift resources from the income support and social insurance programs and integrate them into a comprehensive income support and employment system, then the means through which a work requirement will be imposed on part or all of the persons in this system must be further developed and tested.

The pooling proposals are attractive to mayors and city councilmen who are hard pressed fiscally yet who are aware also of the large numbers of potential workers receiving extended unemployment compensation benefits or welfare payments. They are recommending that these individuals be given public service employment performing services for the city--the same services which have been reduced during the recent recession.

PRINCIPLES UNDERLYING THE INTEGRATION OF EMPLOYMENT AND INCOME SUPPORT PROGRAMS

Over the next year or two, as the proposals which I have discussed are debated at the national level, there will be compromises made in the program design. Some will be useful; others will be undesirable. Because compromises become necessary to achieve agreement or support, it is important that some basic principles be established early and be used as guideposts throughout the debate. If we continually review these principles, then the compromises that are made may be less damaging to the overall framework.

The most important principle is that income support, employment and tax policies must be viewed together as part of the total income security system. Each influences and interacts with the others; the success of the total strategy is dependent on abandoning the practice of dealing with each separately. Some of the other important principles are:

- o The level of income provided must be adequate, equitable and based on a federal floor. There should be no differentiation with regard to family status or where one hppens to live. Each segment of the population must be treated equally.

- o Most benefits should be in cash and not in kind. This reinforces the principle just stated. If benefit levels are not adequate, there is a tendency to provide other categorical supplements to compensate for the inadequacy.

- o Criteria for program eligibility and benefits should be simple, objective, and clearly stated to achieve equal treatment of those with comparable needs. Judgmental decisions about the living circumstances of recipients should be eliminated by the simplified system. The administration of the program and the opportunity for administrative error would be reduced considerably under a nationally standardized system.

- o The federal government should administer those portions of the program hich are uniform on a state-by-state basis. There should be an optional residual state role which allows supplementation by the state to meet extraordinary needs, to account for regional differences or to meet special needs. The federal government should not attempt to meet all needs from a centralized level.

- o Subsidized employment provided through local systems must complement the income support system. The linkages between the payments, the social and other supportive services, and the employment systems must be carefully designed to insure that there is the maximum degree of local responsiveness.

- o The use of the internal revenue code as an income redistribution system and employment development system through expanded use of tax expenditures should be further explored. Elements of this approach already exist through the tax credit for working persons with low incomes and the newly enacted child care tax credit.

Most of these principles are related to the income support elements of the integrated system. However, the primary focus of providing training and employment to as many of the recipients of income support should be an overriding concern. The more employment that can be sustained, the fewer the number of persons that must be maintained within the income support system.

THE IMPLICATIONS OF AN INTEGRATED SYSTEM

The integration of the employment and income support systems must be based on a strengthened capability for full employment planning at the local level. The broadened program must be directed at the pockets of persons who are the long term unemployed or underemployed. The leadership role of the federal government in setting national goals and in overseeing the impact of collective national policies on employment must be established. And the separateness of the employment, social insurance, and income support systems must be abolished.

One of the keys to the solution of the high rate of unemployment rests at the local level with the unique characteristics and needs of the local labor force. We traditionally have not been successful with programs designed to train unskilled workers and those designed to move people out of decaying urban areas.

This has happened in part because of the lack of flexibility at the local level to provide training or jobs to those who are underemployed and those with minimal job skills--to the Black youth, to the single parent with dependent children, or to the unemployed welfare recipient. Instead of focusing on the local matching of available workers with available jobs, we have directed our attention more at macro-economic policies--how to create more jobs on a nationwide basis. Lest I be misunderstood, the global approaches are necessary; the local and individualized activities are equally critical.

If a strong local manpower role is maintained and strengthened, then what should be the federal role? In my judgement, the federal government must concern itself to a greater degree with the total effects of federal policies on employment programs, both on a short term and long term basis. Economic and fiscal planning for policies and programs which affect employment are compartmentalized. We operate as if each department or federal agency acted alone in its influence on the labor market. Many of the Department of Health, Education and Welfare programs, particularly the income secuirty and health financing programs, have a major impact on employment and whether certain groups of people seek employment.

The federal role should be one of leadership in setting employment goals and priorities and in assuring that the total effect of all national policies is consistent with these goals. This would include the consideration of the restructuring of the welfare system and its potential relationship to employment programs. This would include an analysis of tax expenditure policies, economic development policies, or regulatory policies which may reinforce or counteract employment priorities.

The federal government must assist localities in their planning for full employment by furnishing more accurate and timely information on the characteristics of the labor force within the local areas. As Sar. A. Levitan and Robert Taggart have recently pointed out:

"The relationship between unemployment and hardship has been increasing obscured and unemployment statistics are no longer valid measures of economic and social health they once were. Joblessness among teenagers rarely affects the well-being of families. Many unemployed have a spouse with very adequate earnings, or else the family may have other income sources."

They go on to suggest that,

"Just as a new set of statistics was introduced in the late 1930s to measure unemployment, it is necessary to overhaul and supplement current economic indicators. The unemployment data are not an adequate measure of economic hardship. The need is to attack the problems of wage adequacy and intermittent work by focusing public efforts on work force participants who face economic deprivation in good times as well as in recession."

Levitan and Taggart propose that an Employment and Earnings Inadequacy index be developed to count all persons in the labor market who face employment and income problems. This would include the prevalence of discouraged workers not in the labor force, employed household heads who earned less than a poverty level wage in the previous year, and persons employed part-time involuntarily because of shortened work weeks and other economic reasons. This type of information could be combined with the data on persons in the income support programs who are determined to be employable and supplied to local employment program planners.

The federal role, in addition, should be one of determining the broad framework under which employment programs should operate and the outputs or results expected from state or local administration. The federal government should set program standards, but then allow localities the flexibility to operate within the program framework and standards. Local governments should be held accountable for achieving certain results.

This simple explanation of the separateness of federal and local roles becomes mixed with respect to income support programs. We have learned that needs-based programs must be responsive to changes in indivudal circumstances. A federal system cam process efficiently large numbers of fairly uniform payments and little more. The federal role should be limited to this function. The social security system is a good example of the success of a single purpose uniform program. The Supplemental Security Income Program tried to do too much and almost became a disaster.

As referred to earlier, one of the factors which will force, in the near future, a reexamination of the relationship between employment and income support programs will be the limitations on resources. The expansion of the open ended welfare programs has been at the expense of some of the

other discretionary or "controllable" programs, including those in the employment training areas. The fiscal pressures will increase. According to estimates by the Department of Health, Education and Welfare, it we do nothing new in Fiscal Year 1978, expenditures for that Department alone will increase by almost $16 billion.

In the near term, we who are concerned with both the employment and income security systems will be required to seek the most effective means of providing our citizens first, with the opportunity of having a job and, second if no jobs are available, provide a basic level of support.

A job means status, dignity and self-respect. Clearly we must provide a job opportunity to the maximum number of Americans. We must do this by recognizing the new character of the labor force, by providing national leadership which will coordinate the multiple forces which impact on employment and by providing local governments the flexibility and pooled resources which will allow them to meet local labor market requirements.

XVII. ENERGY EMPLOYMENT: THE CRITICAL DEPENDENCY IN THE U.S. ECONOMY

A PAPER BY

ROBERT J. BROWN
REGIONAL ADMINISTRATOR
EMPLOYMENT AND TRAINING ADMINISTRATION
U.S. DEPARTMENT OF LABOR

ENERGY EMPLOYMENT:

THE CRITICAL DEPENDENCY IN THE U.S. ECONOMY*

I want to leave a very simple, but vitally important message with you today. The economically most powerful nation in the world perches precariously on the brink of economic chaos because of its reliance on foreign energy sources. It is a familiar cliche, to suggest that energy resources lubricate the gears of every advanced economy. Without sufficient lubrication, there will be major breakdowns in the productive sector of the economy that will have major ramifications in every other sector, i.e., transportation, government, consumer, and so forth. In my judgment, enough attention is not being given to sorting out all of the dislocations that would result from another major disruption in energy availability. I want to discuss what can and should be done about this problem, but first I want to outline several other concerns related to the energy employment equation.

During the past several years, the attention of the nation has been focused on a group of states frequently referred to as the Rocky Mountain States, or the Rocky Mountain-Great Plains States. These states have become the focal point of interest because they contain the majority of this nation's short and medium term energy resources. About one-third of the nation's land mass, but less than ten percent of its population are in this region. To provide you with some perspective about this situation, consider the fact that about one-half of the nation's coal reserves are in this region, all of the commercially interesting oil shale, about 93 percent of the uranium reserves, extensive geothermal resources, hydroelectric, gas and oil reserves. The Western States Coordinating Council estimates that about 67,284 MWe of electricity will be produced in 1976 and about 110,051 MWe in 1985. The sources of this electricity in 1975 were 17% coal, 7% gas, 23% oil, 4% nuclear, 48% hydro-electric, and 1% geothermal. The relative importance of each source in 1984 is predicted to be: 26% coal, 1% gas, 19% oil, 22% nuclear, 30% hydro, and 2% geothermal.[1]

The region currently produces about 70 MIPY of coal. The Federal Energy Administration projects coal production to increase to about 350 MIPY by 1985. The majority of this coal will be exported from the region, primarily to the East and South. This brings to mind the transportation dimension of energy production. Whether coal is moved by rail or slurry pipeline or whether it is converted to gas and oil and then exported from the region makes a major difference in terms of the employment requirements.

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[1]Western States Coordinating Council, "Ten-Year Coordinated Plan Summary, 1975-1984", May 1975, p. 38. The estimate is for the Western States, including Washington, Oregon, California, Arizona, New Mexico, Nevada, Utah, Idaho, Montana, Wyoming, Colorado, and portions of South Dakota, Nebraska, Texas, and Providence of British Columbia, Canada.

*I wish to acknowledge the assistance of Dr. Willis J. Nordlund and Ms. Kathy Workman for their research supporting this paper.

While on the subject of coal production and use, the important area of coal conversion must be mentioned. Coal can be converted into gas or oil or both by one of several chemical processes. The most widely used (outside the U.S.) coal conversion tehnique is the Lurgi Process. Essentially, this process uses heat and pressure to enhance the chemical reaction of steam, oxygen, and coal to produce synthetic natural gas. Coal liquefaction and gasification facilities range in the $250 million to $500 million for capital equipment. Labor requirements for construction and pre-production activities have been estimated to peak at about 2,620 manyears during the fourth year of development.[2] The number of coal conversion plants scheduled to be built is likely to be between 12-15 by 1990 even though 33 plants are proposed. Most of them wil be constructed in remote areas of North Dakota, Montana, and Wyoming. Insuring that an adequate primary and secondary labor force will be available is a task of major proportions.

It may be useful to summarize the full range of proposed energy projects in the region. The Bureau of Mines recently completed a fairly extensive survey that produced the following results. In the 22 states west of the Mississippi River, 154 new coal mines are proposed, 126 of them are in Region VIII. Annual total production for all 22 states was estimated to be 472.1 MIPY. Region VIII states are scheduled to produce 430.7 MIPY or 90 percent of the total.[3]

Future power plant expansions are of a lower order of magnitude, but significant nonetheless. There are 488 proposed additions, 90 of which are in the Region. Total capacity for the 22 states will increase by 153,958 MWe while 28,894 MWe or about 18 percent will occur in Region VIII. There are 39 proposed coal conversion facilities west of the Mississippi, 33 of which will be in Region VIII. Five of the six bio-conversion plants are slated for states in the Region, all of the oil shale and tar sands projects, 13 of 38 geothermal developments, 6 of 8 slurry pipelines, 15 of 40 uranium facilities, and 3 of 33 oil refineries and natural gas processing plants. Not mentioned in the enumeration are five railroads that are scheduled for construction. The 300 energy facilities proposed in the six-state region are summarized in Table I. The employment implications in both the construction and operation-maintenance phases will be discussed later. Needless to say, in relation to the present available labor force, the increased demands will be awesome.

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[2]Personal letter to Willis J. Nordlund, Regional Labor Economist, USDL-ETA, Region VIII from E.C. Kirchner, American Natural Gas Service Company, dated October 20, 1975.

[3]The apparent discrepancy between the FEA and Bureau of Mines estimates is principally the result of the estimation process.

TABLE 1

PLANNED OR PROPOSED ENERGY FACILITIES IN FEDERAL REGION VIII*

	Coal Mines	Electric Power Plants	Coal Conversion	Bio-Conversion	Oil Shale	Geothermal Site	Coal Slurry	Uranium Facilities	Oil-Gas Facilities
Colorado	45	18	1	4	7	11	2	1	-
Montana	9	21	9	-	-	-	1	-	-
North Dakota	9	10	12	-	-	-	-	-	-
South Dakota	-	8	2	-	-	-	-	-	1
Utah	30	22	1	1	3	2	1	3	-
Wyoming	33	11	7	-	-	-	2	11	2
Region	126	90	32	5	10	13	6	15	3

TOTAL 300

* Source: U. S. Department of the Interior, Bureau of Mines, Projects to Expand Fuel Sources in Western States, Circular I C 8719.

If we look at what has occurred in the Federal Government in response to energy development, the most impressive observation is that we don't seem to be much further ahead of the game than we were three or four years ago. A lot of rhetoric related to the difficulty of the problem, how important conservation is, what alternatives are available, how vulnerable the U.S. is to another energy shortage, and so forth, has poured from Federal policy makers. However, if we compile a list of what substantive action has occurred, it is not very impressive. In fact, some argue that the implementation of the 55 mile per hour speed limit is the only concrete energy initiative that has occurred. Further, this "conversation" measure may ultimately be judged as more important in terms of saying lives than saving energy. This, of course, would not be an unimportant consequence.

The time is long overdue for positive substantive action by public policy makers. Someone must simply say, "I have assessed the situation, these are my findings, this is what we are going to do." In short, we need leadership that will take the initiative in this critical area and move ahead. I recognize that the problems are immensely complex and that there are no simplistic "answers". Nevertheless, the problems are not going to resolve themselves, and in fact are getting more intractable as time passes.[4] Unless constructive initiatives occur very soon, some potential solutions may be lost for decades. A perfect example is the recent Interior Department "oil shale decision". The sheer magnitude of shale oil (estimated to be between 2-3 trillion barrels) availability suggests that it can be a major source of liquid fossil fuel for many years. However, if oil shale is not a part of the energy program, so be it. It seems to me that it must come into the picture at some point in time. As a nation we must decide when the most appropriate time is, how the technological problems will be resolved, whether it is more appropriate to subsidize industry or nationalize shale development, and so forth. What is extremely important in my view is that the decision be made explicit and not by default.[5] The immense capital investments required and the long lead time to gear up for production suggests the necessity of thinking through our national strategy concerning this vital resource.

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[4]Of particular note is an article in Business Week, September 27, 1976, that pointed out the critical natural gas shortage. In California alone the shortfall is expected to be almost 25% of total requirements this year. This could result in a loss of 800,000 jobs.

[5]The House of Representatives refused on September 23, 1976, to consider a bill authorizing $3.5 billion for loan guarantees related to synthetic fuel development. This action precludes consideration of a synthetic fuels bill in this session of Congress and therefore causes further uncertainties on where shale oil fits into the total energy picture.

The Regional View. There is more than a small bit of irony in the proposition that the two parts of the nation with the fewest people and some of the most spectacular scenic beauty are on the verge of being decimated by energy production and distribution. There is also a tinge of irony in the fact that the same two parts of the nation which historically have been outside the mainsream of American economic development, now hold the key to this nation's survival. These two areas are, of course, the Rocky Mountain Region and Appalachia.

To appreciate the character and dimensions of the energy problem in Federal Region VIII, two facts must be understood; first, energy production and distribution on a scale necessary to address our current and future needs is massive and will require hundreds of thousands of new workers and their families; second, there are relatively few people in the major energy resource areas. In fact, the combined population of the six state region is about 6.1 million with a labor force of about 2.7 million. As you all know, the major population centers of the region are Denver and Salt Lake City. Cheyenne, Bismarck, and Colorado Springs contain sizeable populations and for energy development in close proximity to these centers there are likely to be few problems. However, once a half dozen or so "population centers" are identified, what remains are small isolated communities that are ill-equipped and in some cases unwilling to absorb vast population influxes. I can discuss the problems those communities face in great detail, but for the purpose of this discussion, I want to focus on the employment dimension. Keep in mind however, that the problems are extremely complex and interrelated. It is difficult for example, to discuss the employment problem without an understanding of the housing, education, recreation, social service, and a myriad of other problems. Contemporary workers require access to adequate housing, hospitals, recreational facilities, good roads, police protection, schools, and dozens of other amenities that fall under the general category of social overhead capital. We now have numerous examples of energy development projects that overwhelmed the host community and ultimately resulted in the breakdown of the social and political system. This situation resulted in recruitment problems for firms, high turnover and absenteeism, low productivity, and in some areas, migration of workers and their families out of the area.[6] The lesson to be learned is that high wages only partially offset the "costs" of living in an impacted area. Once the costs begin to exceed the monetary benefits, workers frequently seek employment elsewhere.

The Consequences of Energy Disruption. In my judgment, too little attention has been and continues to be given to the employment consequences of another major disruption in energy availability. This nation may not be vulnerable enough to be susceptible to "energy blackmail," but as our

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[6]A series of three detailed labor market studies have been completed by the Regional Office that support these general statements. In addition, the Denver Research Institute has conducted a variety of impact studies that resulted in similar conclusions.

dependence on foreign energy sources continues to grow,[7] the stability of our economic and political systems becomes more tenuous. I submit that no one inside or outside of government has taken a comprehensive look at energy-employment relationships and their consequences in the event another disruption occurred. There has been some armchair quesstimating, conjecturing, wishing, and speculating about the probable consequences, but there is clearly no mechanism available that I feel provides enough answers.

Its important to point out that the U.S. is a signatory to an International Energy Agency Agreement that requires domestic cutbacks in energy use of 7-10 percent prior to receiving assistance from other IEA nations. A decrease of ten percent or more would impose catastrophic consequences on some industries, i.e., automobile, recreation, agriculture, and construction while the energy-related industries would probably experience initial positive impacts. If a cutback persisted for any appreciable period, however, even the energy industries would experience adverse impacts. The availability of raw materials, capital, and energy resources from industries supporting the basic energy sector would be curtailed. This would result in a reduction in energy production which would further aggravate the situation.

Another dimension of the volatility in the international market concerns the possible retaliation of the Arab Nations to Congressional attempts to crack down on American firms supporting the Arab boycott of Israel. Not only would an Arab boycott involving oil flowing to the U.S. cause major production disruption, but it is important to recognize that the Arab Nations are relatively large importers of American goods. In fact, recent estimates show that in 1976, about $7.1 billion in U.S. goods will flow to these nations.

If Congress passes legislation (and I believe that is the only honorable course to take), American firms will be forced to withdraw implicit or direct support of the Arab boycott of Israel, the Arab Nations are likely to retaliate with several initiatives. First, an increase of about $1.50 per barrel of oil; second, a reduction in Arab oil production; and, third, the loss of exports by American firms to the Arab Nations. Since passage of legislation of this nature is imminent, we must be prepared to deal with it.

The point I am attempting to make in relation to the international energy relationships is that the U.S. is vulnerable to a major and prolonged energy cutback. We are vulnerable along every economic front: employment, production (output), efficiency, prices, and so forth. My staff and I have been invited or have attended no less than fifty "energy conferences" during the last two years, but so far have not seen a concerted effort made to anticipate these problems. The National Commission for Manpower Policy has the capacity and in my judgment the responsibility to structure policy recommendations and push for their acceptance. It will be unfortunate if a strong

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[7]FEA Administrator Frank Zarb has estimated that we may import as much as 60% of our oil by 1985.

set of recommendations, at least in the employment area, are not forthcoming from the Commission. I will outline in more detail later what can and should be done.

The Strategic Storage Program. Before moving into more specific discussion of the employment dimensions of energy shortages and the regional characteristics of the problem, I want to briefly outline the present status of our efforts to decrease reliance on foreign oil. The FEA in the process of implementing a "Strategic Storage Program" that will result in stockpiling and maintaining fairly sizeable oil reserves. The first phase of the program calls for stockpiling 150 million barrels of crude oil by 1978. The ultimate goal is a strategic reserve of 500 million barrels. These are clearly vast reserves, but it is important to point out that we consume about 16-17 million barrels of oil per day. Therefore, if we become totally dependent on these reserves they would not last very long. Since we import about 7 million barrels per day at present, the reserves would permit about a three month interruption.

Environmental impact statements have been published on eight initial storage sites. The first storage sites will most likely be six salt domes and mines proposed in Texas and Louisiana. Two other storage sites are proposed limestone mines in Ohio and Kentucky.

In addition to the "Strategic Storage Program" currently being implemented, FEA anticipates development of an industrial storage program and eventually regional storage programs. The former program is called the "Industrial Petroleum Reserve Plan". It is significant that an impasse has been reached between FEA and the American Petroleum Industry on the issue of who will finance the private storage program. Regional storage programs are being discussed, but no specific plans have been developed.

The Employment Dimensions of Energy Shortages

The evidence is not conclusive nor are all estimates of the employment impact of the Arab Embargo of the same order of magnitude, but it seems fair to suggest that the employment dislocations were significant. The Embargo lasted for about six months (October 1973 to March 1974). Fortunately, several events occurred prior to and during the Embargo that may have lessened its impact. First, most major energy users, i.e., steel, rubber, automobiles, etc., had partially anticipated a shortage and, therefore, had acquired some reserves. Second, the Winter of 1973-74 was unusually mild. Third, from an employment standpoint there was considerable overtime work occurring in many industries.

The first reaction of most firms as energy shortages became imminent was to reduce the number of overtime hours. While the average number of overtime hours per week in all industries did not decrease appreciably (in March 1973, overtime averaged 3.7 hours per week while in March 1974, they averaged 3.4 hours per week), in the hardest hit industries there were major

decreases. For example, in the Auto, Trucks, and Parts industry they declined by 44.6 percent from March 1973 to March 1974. Over the same period, the Other Transportation Equipment industry decreased by 22.6 percent. The Electrical Machinery, Rubber, and Textile industries all experienced reduction in overtime hours exceeding ten percent. The immediate employment reaction was to share employment opportunities rather than cut back total employment. The second immediate or short-term response was to delay expansion of existing production or initiation of new processes. The exact magnitude of this response is difficult to assess.

It may be instructive in terms of assessing the state of the art in assessment to compare two FEA reports on the subject. In mid-1974, the FEA published a report entitled "Short-Term Microeconomic Impact of the Oil Embargo, October 1973-March 1974." In May, 1976, FEA published a report entitled "Report to Congress on the Economic Impact of Energy Actions." The 1974 report summarized the embargo impact by suggesting that:

> "...it is difficult to separate the impacts of the embargo per se from those attributable to other factors that had already become evident or occurred during the embargo period. For most industries, it seems that output, employment, and profitability impacts were relatively small, and if visible in the statistics, will appear as an aberration from the normal trend."[8]

In the 1976 report, FEA concluded that:

> "The OPEC oil embargo and subsequent higher energy prices had a significant impact on employment and unemployment."[9]

The method of analysis used in the two studies may "explain" part of the disparity. However, when one considers that the 1974 report showed virtually no employment impact while the 1976 report suggests increased unemployment of about 2.5 million, the differences are significant.

The analysis of impacts on specific industries also shows major discrepancies. I recognize that the period of analysis is not identical and that some differences may be expected, however, it is instructive to note that the 1974 study concluded:

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[8]Federal Energy Administration, "Short-Term Microeconomic Impact of the Oil Embargo, October 1973-March 1974," Washington, D.C., 1974, p. xi. (italics provided).

[9]Federal Energy Administration, "Report to Congress on the Economic Impact of Energy Actions," As Required by Public Law 93-275, Section 18(D), FEA/B-76/351. Washington, D.C. May 1976, p. 29.

"There is no evidence that the embargo caused significant disruptions of construction activity."[10]

Reference was made to disruptions in the construction of streets and highways. The 1976 report suggests that:

"Employment levels in the construction industry show a shortfall of over 270,000 jobs because of higher energy prices with the resulting higher interest rates and reduced levels of economic activity."[11]

In fact, the 1976 report shows the construction industry as experiencing the largest relative employment impact. Further, the 1974 report noted:

"Like the steel industry, the ferrous casting and forging industries suffered minor direct impacts of the embargo,"[12]

and;

"The effect of the oil embargo on the non-ferrous metals industry has been minimal,".[13]

However, in the 1976 study, the Structural Metal Products industry was estimated to have experienced a 7.9 percent employment shortfall. This places the Structural Metal Products industry fourteenth out of 121 industries studied in terms of employment impact.

The 1974 study showed that:

"The impact of the oil embargo and the resulting fuel crisis throughout the United States had an immediate adverse effect on the lodging industry...the industry as a whole suffered considerably."[14]

The 1976 report showed Hotels and Lodging Places industry as experiencing a 1.2 percent shortfall which places it number 117 on the list of 121 industries.

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[10]FEA, 1974, p. 73.

[11]FEA, 1976, p. 33.

[12]FEA, 1974, p. 61.

[13]FEA, 1974, p. 62.

[14]FEA, 1974, p. 120.

What I am attempting to suggest by these comparisons is not that FEA conducted inappropriate or misleading research. On the contrary, FEA should be commended for making an effort in impact assessment. The point I want to make to this group is that we are clearly still in the Dark Ages in terms of our capacity to analyze disruptive energy actions. It would be appropriate and timely for the Department of Labor to move vigorously ahead in the construction and implementation of a modeling effort that will provide reasoned alternatives with substantive policy input.

There can be little argument about whether or not another interruption would have a major employment impact. The U.S. now imports about 52 percent more crude oil than it did in October 1973; the unemployment rate is 63.2 percent higher today than it was when the embargo began in October 1973; the oil reserve program is just getting underway and will be a half decade or more before completion. The point is that another lengthy embargo would, in my opinion, have an employment impact that would dwarf the dislocations that occurred between 1973 and 1975.

The Roles and Responsibilities of the Major Private Sector Actors in the Energy Development Process

What responsibilities do firms have in relation to insuring adequate sources of trained manpower? This is a very difficult question to answer because the firms have responsibilities to a number of groups including stockholders, workers, customers, government, and resource suppliers. The objectives of one are likely to be in opposition to others. The firm must weigh the relative importance of the trade-offs in making its decisions. Its responsibilities in the labor area are only one consideration, but clearly a very important one.

From my perspective in the Regional Office, the single most important role firms can play in relation to insuring adequate trained workers is to provide us with reasonable, accurate, and timely information on their development plans. I recognize the proprietary nature of some of this information and the problems of uncertainty relating to economic conditions, technological change, state and federal legislation, ad infinitum. There are some problems in relation to providing information to federal agencies in general, but I feel that the potential abuses will be relatively trivial in relation to the potential gains from adequate information flows. I strongly feel that firms have social obligation to provide reasonable information that can be used in the decision making process.

Some companies in the energy industries have attempted to work with organized labor in dealing with this problem. The developments in Rock Springs and Gillette, Wyoming are important cases in point. In my view, this cooperation is an important dimension of the solution that must be vigorously encouraged and supported. The information system of organized labor, particularly in the construction trades, is a very good one. Companies that refuse to utilize this system for whatever reason are missing an important opportunity.

Energy companies, particularly in the coal industry, have developed internal programs to train and upgrade miners. A recent conference in West Virginia suggested that much more needs to be done. Internal training is an expensive activity for any firm because the potential payoffs are uncertain. It might be useful to suggest that industry supported training be expanded. In this way, smaller firms could engage in these activities that are essentially beyond their capabilities at the present.

Clearly, energy companies are not passive recipients of trained labor flowing from educational institutions, government training programs, or through geographic or industrial mobility. Rather, they are, in my judgment, a critical link in cooperating with, participating in, or initiating internally meaningful programs to train or retrain energy industry workers. Without their cooperation, the task ahead will be much more difficult if not impossible.

Organized labor also has a role to play in addressing this problem. Through joint apprenticeship programs, an important source of trained labor will flow. It is extremely important for organized labor to be responsive to the longer run requirements. There has been a tendency, historically, for organized labor to be cautious in their view of future labor requirements. The reasons for this historical approach are understood by everyone familiar with union structure and motivation. Nevertheless, it is extremely important for organized labor to look ahead, at least ten years down the road, and make a concerted effort to develop strategies that will insure an adequate supply of skilled manpower. The Department of Labor has the internal capability through the Bureau of Apprenticeship and Training, the Employment and Training Administration, and other agencies to work with organized labor in assessing labor needs and developing techniques to assist them.

If time permitted, I might outline examples of union leadership such as supporting educational programs in vocational-technical schools, improving the structure and functioning of apprenticeship programs,[15] developing a more comprehensive information system, and so forth. What is important, however, is that organized labor occupies a pivotal position in the labor supply solution. Responsible action will require imaginative and responsive leadership. I am personally acquainted with many labor leaders and I'm confident that the capability and commitment exists to insure responsible action.

The Regional Energy-Employment Picture

Earlier I summarized the types of energy development anticipated in Federal Region VIII. In this section I want to discuss the employment implications of expanded energy production over the next decade. Before

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[15]Revising entrance requirements, the content or sequence of both on-the-job and off-the-job training, etc.

looking at the specifics, some general comments on regional relationships seem in order.

In the short run, a major disruption of foreign energy sources would probably have a positive impact on our regional economy. The vast majority of our energy resources are exported to the East and South and, in a sense, we have "excess capacity" in the energy industries. Therefore, we are probably less vulnerable to a severe shortage than is the highly industrialized East, Midwest and West. In addition, a severe shortage would have an almost instantaneous positive employment impact. Domestic firms would beg-n expanding output in response to the shortage and the employment consequences would be self-evident.

I am not suggesting, however, that we are sitting around gloating about how well off we would be in the region if only another disruption would occur. On the contrary, we recognize that any "gains" will be short-run at best. Any restriction that lasts for several months or more will have adverse consequences on the regional as well as the national economy. Our industries would be pushed to levels of output near full capacity and this would result in bottlenecks and inefficiencies in production. Even more important in the longer run is the interdependencies of regional industries to external sources of supply Before long, new trucks would be in short supply as would most replacement parts for the existing capital in all energy industries. Virtually all of our capital needs are furnished by external firms and we refine relatively small amounts of petroleum in the region. We would clearly being feeling the "pinch" before long.

To provide a clearer picture of what energy shortages mean in the regional context, I will focus on two impact dimensions. First, the geographic dispersion of employment dislocations; second, the socioeconomic impact of rapid energy development.

Two states, Colorado and the District of Columbia, experienced positive employment gains during the embargo's aftermath. This is clearly the result of the industrial structure of the two states. In both instances, the "gains" were less than one percent. The hardest hit states were in the Midwest and East with a few scattered in other areas. The highly industrialized states, i.e., Indiana, Michigan, Illinois, and Massachusetts were particularly affected. Hardest hit, relatively, was Kansas, New Mexico, and Washington. The explanation for these realtionships is the heavy agricultural base in these states and the reliance on the agricultural sector by the manufacturing industries. Therefore, the energy sensitivity of these two dominant sectors compounded the impact in these states.[16]

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[16]FEA, op. cit., p. 37.

Of significance to us in the Rocky Mountain Region is the relatively small employment shortfall as a consequence of the embargo. FEA estimated that the Mountain Region[17] had a 3.7 percent employment decrease over what would have occurred without the embargo. The principle factor behind this relationship is the industrial composition within the Region.

It seems appropriate to suggest, therefore, that in the event of another interruption, the Mountain Region would probably experience a very mild initial and intermediate term dislocation. The inherent industrial character of the Region insulates us from energy shortages and the demand for energy production is likely to be great.

Nevertheless, the employment "advantages" of this Region are not without some shortcomings. The second aspect of energy availability involves the socioeconomic impact on communities in the Region that experience rapid economic growth. There are numerous case studies of communities (the most infamous of which are Rock Springs and Gillette, Wyoming, Langden, North Dakota, Hayden and Craig, Colorado) that are unable or unwilling to absorb vast influxes of workers and their families. The "Boomtown" syndrome is a problem of major importance to us in the Region.

I could provide many examples of the problems (economic, psychological, social, and political) that accompany rapid growth, but most of you are familiar with them. It is sufficient to note that as rapid energy development occurs whether as a result of explicit national policy or in response to an interruption in energy supply, there will be major dislocations and tremendous adjustment problems occurring in the Mountain Region. In this sense, our circumstances produce mixed emotions when the subject of energy development is raised.

Employment Requirements for Energy Development in Federal Region VIII Between 1975-1985. For openers, I want to suggest to you that at the regional level, the employment and socioeconomic impact of proposed energy development will be severe. It is difficult to fully comprehend the difficulties firms experience in attracting and retaining workers in small communities that are experiencing the vagaries of explosive growth. To provide you with some feeling for the magnitude of the problem, I want to outline the employment requirements and socioeconomic impact that we see accompanying regional energy development.

We have attempted to estimate the direct employment requirements for both the construction and operation of energy facilities in Region VIII. The three principle energy areas are coal mining, power plant construction and operation, and coal conversion. The estimates for coal mining are divided into surface mining and underground mining because of the different occupational requirements of each type. In Region VIII we estimated that

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[17]Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming.

surface mining will require about 8,458 additional workers by 1985. Underground mining will require about 13,541 new workers. Power plant construction will require about 21, 786 man-years of labor input between 1976 and 1985; the operatinal labor force will expand by about 2,561 employees. Coal conversion construction requirements over the next decade are approximately 17,258 man-years of labor input; the operational requirements will add about 6,538 new jobs. These three energy industries will require about 39,314 man-years of input in all occupational groups for construction and about 31,188 new workers for operation and maintenance. (See Tables 2 through 6).

Conspicuously absent from the major energy grouping is oil shale. Recent Congressional actions noted earlier and general industry attitudes suggest that no oil shale development of a commercial nature will occur prior to 1985. We made some preliminary estimates for this industry several months ago, but they now appear too tenuous to include in this summary. In general terms, a 50,000 barrel per day, in situ retort, oil shale plant will require about 2,145 man-years of construction labor and about 1,430 operational and mining employees.

There is some preliminary drilling and testing of geothermal fields, but no anticipated commercial development prior to 1985. Similarly, the development prospects for coal slurry pipelines are very tenuous. The technological and legal problems surrounding this mode of coal transportation seem to suggest that actual development will be delayed for many years.

Two railroads are presently under construction in the Region and therefore the employment requirements are presumably filled. The railroad proposed in Emery County, Utah is not under construction and the start-up date is uncertain.

There may be some small scale uranium developments in Wyoming (beyond what is currently under construction), but there development and production plans are too uncertain to make reasonable employment estimates. The extraction of oil from tar sands in Utah has been proposed as a potential energy development. In this case, too, the development plans are very tentative. We did not feel inclusion of employment estimates was warranted in this report.

The data summarized above only show the <u>direct</u> employment requirements for the energy industries. Of possibly greater importance, in the long run, will be the employment requirements related to industries that grow up around the core energy industry and the industries that support the expanding economic base generally. Examples of the former are raw material suppliers, maintenance and repair acitivites, energy producers and so forth. Included in the latter are all of the service industries, transportation firms, and government. These two industrial groupings are called the <u>secondary,</u> and <u>tertiary</u> energy sectors.

The traditional approach used in obtaining secondary and tertiary employment estimates is to estimate the direct requirements first and then apply some "reasonable" employment multipliers to them.[18] The problem with this approach is that the selection of an employment multiplier that any two people would agree with is extremely difficult. Studies I have reviewed recently have multipliers ranging from 0.5 to over 3.0. These differences are not trivial when you consider the magnitude of the direct or primary employment changes outlined above. To gain some sense of the total population influx, a population multiplier of 3.5 must be applied.

It is important to point out that the aggregate employment estimates hide the occupational structure of the expected employment changes. It is reasonable to suggest that the secondary and tertiary industries will have an occupational structure vastly different than the primary energy industries. A second problem involves the timing of these employment changes. The estimates simply show what the levels of employment will be at some future point in time. They say nothing about the time path of adjustment. I will suggest an alternate method of secondary and tertiary estimation that is currently being developed in my Region and I feel holds great promise. The results of that effort are not yet available so I will defer further discussion of it at this point.

It is probably obvious to everyone that in the energy development process there are at least two major categories of workers. The process can be usefully dichotomized into a construction phase and an operational maintenance phase. In many instances, the occupational mix is significantly different so that there is very little carryover between the two phases. In fact, the socioeconomic and demographic characteristics of the two groups are sufficiently different to suggest that the aspirations, social overhead capital requirements, political attitudes, etc., require two sets of local responses. For example, construction workers are likely to be realtively short term residents in the community, will probably prefer movie theaters or bowling alleys as opposed to parks, golf courses, and so on, and are likely to play a small role in the local political process. Operational and maintenance employees are likely to possess opposite characteristics.

From a planning perspective, its extremely important to understand the interplay between the construction and operational phases. There generally is some carryover, but it apparently differs significantly between industries. For example, the carryover between the construction phase of opening a coal mine and operating the mine is likely to be fairly substantial. On the other hand, the construction work force used to build power plants is likely to have little resemblance to the operation-maintenance work force.

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[18] A recent study by the Regional Science Research Institute at the University of Pennsylvania suggests that there are few rules of thumb to use in anticipating the "agglomeration" of firms around an economically expanding industry.

Underground Coal Mining
Employment Requirements/Operation 1/
Federal Region VIII
1976-1985

Occupation	Wyoming	Utah	Colorado	Region
Continuous Miner Operator	106	473	240	819
Loading Machine Operator	106	473	240	819
Machine Operator Helper	106	473	240	819
Shuttle Car Operator	210	955	589	1,754
Roof Bolter	210	955	589	1,754
Bratticeman	106	473	240	819
Utility Man	106	473	240	819
Mechanic (Section)	106	473	240	819
Electrician	41	183	100	324
Supply Motorman	23	109	57	189
Beltman	70	301	149	520
Trackman	36	170	81	287
Wireman	36	170	81	287
Mason (Precision)	39	179	89	307
Pumper	11	58	36	105
Utility Crew	64	94	130	488
Roving Mechanic	34	69	84	287
Fireboss (Union)	11	59	40	110
Lampman	11	60	35	106
Front-End Loader Operator	10	48	26	84
Shop Mechanic	31	153	69	253
Superintendent	4	12	14	30
General Mine Foreman	4	11	15	30
Assistant Mine Foreman	11	47	32	90
Section Foreman	106	473	241	820
Maintenance Superintendent	5	13	18	36
General Shop Foreman	5	15	14	34
Mine Maintenance Foreman	11	50	32	93
Chief Mine Engineer	5	13	17	35
Draftsman	5	16	15	26
Survey Crew	11	45	35	91
Safety Director	5	15	15	35
Safety Inspector	11	53	36	100
Dust Sampler	11	51	35	97
Office Manager	5	12	15	32
Timekeeper & Bookkeeper	5	16	15	36
Purchasing Supervisor	5	14	16	35
Warehouseman	16	76	50	142
TOTAL	1,698	7,633	4,210	13,541

1/ Direct Employment Requirements

Source: U. S. Dept. of Labor, Employment and Training Adm., Region VIII

Surface Coal Mining
Employment Requirements/Operation 1/
Federal Region VIII
1976-1985

Occupation	Colo.	Mont.	N. D.	Utah	Wyo.	Region
Dragline or Shovel OP (O) *	54	45	27	19	132	277
Dragline or Shovel Oiler (O)	53	45	27	19	132	276
Bulldozer OP (O)	54	53	35	27	150	319
Driller (O)	63	68	32	18	185	366
Driller Helper (O)	63	68	32	18	184	365
Bulldozer OP (W/drills)	48	49	31	23	142	293
Shooter (O)	18	15	9	7	44	93
Explosive Truck OP	17	15	9	7	48	96
Driller (C)	4	8	8	8	21	49
Driller Helper (C)	4	8	8	8	20	48
Shovel OP (C)	34	22	18	13	76	163
Shovel OP Oiler (C)	33	22	18	13	76	162
Front End Loader OP	34	22	18	13	76	163
Shooter (C)	4	8	8	8	20	48
Pitman (C)	33	19	18	13	76	159
Truck Driver (C)	117	96	86	69	332	700
Road Grader OP	33	29	18	13	88	181
Water Truck Driver	17	14	9	7	44	91
Lubrication Truck Driver	50	42	27	19	122	260
Supply Truck Driver	50	42	27	19	132	270
Mechanic	142	126	81	55	423	827
Electrician	74	62	40	28	200	404
Welder	69	62	40	28	200	399
Machinist	13	18	18	18	36	103
Wheel Tractor Scraper	66	62	36	25	200	389
Bulldozer OP (Reclam)	66	62	36	25	200	389
Utilityman	101	78	54	37	264	534
Superintendent	10	3	2	3	14	32
Gen. Pit Foreman	16	13	8	6	44	87
Pit Foreman	50	35	27	19	132	263
Maintenance Supt.	10	12	4	3	24	53
Maintenance Foreman	23	14	14	10	62	123
Mining Engineer	9	6	4	4	26	49
Safety Inspector	22	13	14	10	62	121
Office Manager	11	3	4	3	24	45
Purchasing Agent	10	4	4	3	24	45
Timekeeper	10	4	3	3	24	44
Bookkeeper	10	4	3	3	25	45
Warehouseman	23	17	15	10	62	127
TOTAL	1,518	1,288	872	634	4,146	8,458

*(O) is overburden (C) is Coal

1/ Direct Employment Requirements
Source: U. S. Dept. of Labor, Employment and Training Adm., Region VIII

Electric Power Plants
Employment Requirements/Construction 1/
Federal Region VIII
1976-1985

Occupation	Colo.	Mont.	N. D.	S. D.	Utah	Wyo.	Region
Boilermakers	1287	765	745	200	1550	673	5220
Carpenters	309	184	179	48	372	173	1265
Cement Finishers	52	31	30	8	62	24	207
Electricians	824	490	477	128	992	663	3574
Iron Workers	258	152	149	40	310	156	1065
Laborers	410	245	238	64	496	302	1755
Millwrights	258	152	149	40	310	241	1150
Oper. Engineers	412	245	238	64	496	215	1670
Painters	52	31	30	8	62	59	242
Pipefitters	927	551	536	144	1116	738	4012
Teamsters	103	61	60	16	124	81	445
Others	258	153	149	40	310	271	1181
TOTAL	5,150	3,060	2,980	800	6,200	3,596	21,786

1/ Direct Employment Requirements

source: U. S. Dept. of Labor, Employment and Training Adm., Region VIII

Electric Power Plants
Employment Requirements/Operation 1/
Federal Region VIII
1976-1985

Occupation	Colo.	Mont.	N. D.	S. D.	Utah	Wyo.	Region
Plant Mgr.	4		3	1	4	3	15
Plant Supt.	3	1	2		3	2	11
Results Engr.	4		3	1	4	4	16
Operations Spvr.	4		3	1	4	4	16
Shift Spvr.	19	1	14	4	19	18	75
Mnt. Spvr.	4		3	1	4	4	16
Elec & Mnt Spvr	4		3	1	4	4	16
Plant Eng.	4		3	1	4	4	16
Chem. Pro. Eng.	4		3	1	4	4	16
Office Spvr.	4		3	1	4	4	16
Warehouseman	11	1	8	2	11	11	44
Clerical	11	1	9	2	10	11	44
Custodian	4		2	1	4	4	15
Control Rm.	32	12	20	4	36	40	144
Asst. Cont.	20	4	12	4	24	28	92
Equip. Opr.	32	12	20	4	36	40	144
Boiler Att.	76	22	48	12	86	96	340
Lab. Tech.	20	2	15	5	20	20	82
Yard Opr.	15	12	11	3	15	15	71
Coal Opr.	32	4	20	4	36	40	136
Coal Yard Men	18	9	13	3	18	18	79
Laborers	28	5	18	4	31	34	120
Relief Opr.	14		8	2	17	20	61
Welder	13	4	8	2	15	17	59
Mach.	4		3	1	4	4	16
Lead Mech.	4		3	1	4	4	16
Mech I	41	16	25	5	47	53	187
Mech. Hlpr.	49	18	31	7	55	61	221
Lead Elec.	3	2	2		3	3	13
Elec. I	13	4	8	2	15	17	59
Elec. II	27	8	18	4	29	31	117
Lead Inst.	4	2	4	2	3	3	18
Inst. I	13	3	10	4	13	14	57
Inst. II	19	4	11	1	23	25	83
Appr. Inst.	6		2		4	4	16
Paint&Mtlsm.	26	7	19	5	28	29	114
TOTAL	589	154	388	96	641	693	2,561

1/ Direct Employment Requirements

Source: U. S. Dept. of Labor, Employment and Training Adm., Region VIII

Coal Conversion - Gasification Plants
Employment Requirements/Construction 1/
Federal Region VIII
1976-1985

Occupation	Colo.	Mont.	N. Dakota	Wyoming	Region
Carpenters	166	332	332	332	1162
Cement Cons.	37	74	74	74	259
Iron Workers	143	286	286	286	1001
Laborers	197	394	394	394	1379
Millwrights	14	28	28	28	98
Exc. Equip. Op.	153	306	306	306	1071
Pipefitters	723	1446	1446	1446	5061
Electrician	257	514	514	514	1799
Asbestos Worker	114	228	228	228	798
Painter	50	100	100	100	350
Sheet Metal Workers	9	18	18	18	63
Masons	3	6	6	6	21
Teamsters	48	96	96	96	336
Drafting	50	100	100	100	350
Surveying	15	30	30	30	105
Boilermaker	155	310	310	310	1085
Welder	120	240	240	240	840
Engineers	250	500	500	500	1750
TOTAL	2,504	5,008	5,008	5,008	17,528

1/ Direct Employment Requirements
Source: U.S. Dept. of Labor, Employment and Training Adm., Region VIII

Coal Conversion - Gasification Plants
Employment Requirements/Operation 1/
Federal Region VIII
1976-1985

Occupation	Colo.	Mont.	N. Dakota	Wyoming	Region
Operator	50	100	100	100	350
Helper	38	76	76	76	266
Controlman	15	30	30	30	105
Pumper	13	26	26	26	91
Utilityman	7	14	14	14	49
Fireman	7	14	14	14	49
Foreman	20	40	40	40	140
Instrument Tech.	35	70	70	70	245
Mechanic	28	56	56	56	196
Equip. Op.	32	64	64	64	224
Welder	38	76	76	76	266
Bricklayer	24	48	48	48	168
Bricklayer Helper	24	48	48	48	168
Electrician	35	70	70	70	245
Electrician Helper	35	70	70	70	245
Carpenter	25	50	50	50	175
Painter	24	48	48	48	168
Pipefitter	38	76	76	76	266
Pipefitter Helper	38	76	76	76	266
Mechanic	38	76	76	76	266
Mechanic Helper	38	76	76	76	266
Master Machinist	32	64	64	64	224
Gen. Maintenance	76	152	152	152	532
Foreman	60	120	120	120	420
Management	18	36	36	36	126
Sales	7	14	14	14	49
Personnel Dept.	6	12	12	12	42
Accounting	9	18	18	18	63
Safety	3	6	6	6	21
Medical	3	6	6	6	21
Maintenance	13	26	26	26	91
Security	18	36	36	36	126
Secretarial	13	26	26	26	91
Warehouse	13	26	26	26	91
Office Service	6	12	12	12	42
Engineering & Technical	55	110	110	110	385
TOTAL	934	1,868	1,868	1,868	6,538

1/ Direct Employment Requirements
Source: U. S. Dept. of Labor, Employment and Training Adm., Region VIII

Again, there may be rules of thumb that suggest what this relationship will be, but there is little hard evidence that can be used with confidence. The carryover process is significant from the perspective of understanding the dynamics of the supply side of the market. If there is an easy transition between construction and operation, and if the salary or wage structures are comparable, then it would be reasonable to expect that a large portion of the construction work force would opt for the permanence of the operational phase. If considerable retraining is required, if the salary structure is significantly lower, or if the community infrastructure is disagreeable, the carryover is likely to be much less.

One of the problems we face in the Rocky Mountain Region is that studies of carryover have not been focused on the unique characteristics of this Region. For example, the energy sites are frequently geographically remote, there are usually ample "construction projects" underway or anticipated, the salary structure is relatively high for construction workers, and the community infrastructure in most areas during the construction and early operation phases is relatively poor.

What I am suggesting is that we are aware of this problem and feel it may be a fruitful area of labor market research. It would require cooperation of companies and unions because the research approach would seemingly require sampling of workers at the work site followed by a direct interview. We are examining the feasibility and probable payoff of a research effort at the Regional level that will provide us information related to this problem. It seems reasonable to suggest that a larger effort covering a wider industrial spectrum may prove even more useful.

Several final points should be made in relation to the secondary and tertiary labor market. The demand for employees, generally occurs in a competitive market. In other words, firms in the energy construction industry compete for workers with firms in the housing industry as well as the local economy in general. Research that we have conducted shows that in many communities the local wage structure is relatively low in comparison to what the primary energy industries are willing to operate in. As a consequence, workers are frequently pulled away from critical local construction during the most critical need periods. In addition, local service industries that require employees for expansion simply cannot obtain sufficient employees.

As a consequence, workers demanding lower wages who presumably possess less skills are absorbed by non-energy firms. Their productivity is typically lower which leads to higher costs of production and ultimately to higher product or service prices. In many cases, these workers are simply "biding their time" until an opening occurs in the energy industry and then they leave. Problems of high turnover in non-energy firms generally becomes a major problem.

The point I'm making is that there are significant problems in terms of manning energy production facilities, generally. However, we cannot ignore the "spill over" effect on other industries that exist in or move to the area to support the expansion process. Again, we are aware of this problem and vitally concerned about it. However, at this point, we see no general way to effectively deal with it. This is another area in which additional research is needed that will hopefully lead to constructive policy changes.

What Should Be Done?

One of the most disturbing subjects to a federal administrator is the prospect of becoming involved in a situation that is essentially beyond his control. In most cases, evolutionary changes in social, economic, and political processes permit reasonable, though not always correct, responses. However, there are times in which an event is of such major proportions that we lose control of the situation. Early stages of a war, major natural disasters, internal social upheaval are examples of calamitous disturbances that are difficult to handle.

In recent years, another relationship has developed that has the potential of disrupting the entire economic, social, and political fabric of this nation. The relationship of course, is our increased and increasing reliance on foreign energy sources. For several days in July, we imported more oil than we produced domestically. That was apparently a seasonal anomoly, but nevertheless we do regularly import up to forty percent of all the oil we consume.

Admittedly, something like twenty-five percent of our domestic consumption comes from the OPEC nations, but that is no trivial amount. Another embargo that would disrupt this flow would have a major disruptive effect on our economy. No one has, to my knowledge, thoroughly examined what the implications of another embargo would be. This is a very distrubing observation.

As I suggested earlier, even less has been done in terms of determining the employment consequences of such an action. Let me assure you that the consequences would be immediate and they would be severe. We are fooling ourselves if we feel that the economy is resilient enough to absorb such a shock. Therefore, I strongly recommend that a major effort be initiated to assess the employment impact (Nationwide) of another energy restriction. In fact, at this point, I am inclined to favor the construction of a national input-output model with the express purpose of using this model to estimate the direct and indirect employment impact. A modeling effort of this magnitude would require a major commitment of time and resources. I would like to see the Labor Department take the lead in this effort. The N.C.M.P. could play an instrumental role by pulling together modeling experts in national or regional forums to provide criticism and direction to the effort.

I recognize that several other viable approaches exist, including econometric modeling, economic base modeling, and so on, but my preliminary judgement is that the I/O approach would have the greatest chance of success. There may

be some possibility and some advantage to integrating the I/O model with an econometric model of the Data Resources, Incorporated (DRI) variety. The feasibility and desirability of such an effort can be left to the technicians that work in this area. The point I am most adamant about is that we move ahead with an effort that will provide some policy guidelines. We cannot wait for the energy curtailment to occur before doing something. A relatively long lead time (12 months or more) is needed to get a model up and running.

My previous discussion suggested an I/O approach was not proposed from an abstract vantage point. On the contrary, we are in the process of developing a Multi-Regional Input-Output (MRIO) model to infer employment requirements in the Region. The project is well underway and I expect to see some preliminary runs in about six months. I might note that our effort will focus on energy expansion whereas part of the above discussion focused on energy restriction.

We are developing a basic interindustry transaction table for the states in Federal Region VIII and will use the BLS industry-occupational matrix to make the employment projections. There are many conceptual and practical problems in setting up this model, but careful evaluation of similar efforts elsewhere leads us to believe that a workable model can be constructed.

Everyone understands the inherent shortcomings of the I/O approach, such as its static nature, data availability, changing industrial coefficients, secondary industry classification, etc. Nevertheless, our assessment suggests that a carefully constructed I/O model will be easier to run and maintain than would one of the alternate approaches.[19]

We are in the final steps of a research project that is examining the nature and characteristics of an energy-related labor market information system. Three areas in the Region have been intensively studied and a variety of interesting findings have emerged. One of the most significant results that has major policy implications concerns the impact of the socioeconomic environment on the work force. Traditional economic theory suggests that wage differentials will insure that workers are attracted to a given area or industry.

In other words, if the wage rate in area X is higher than in area Y, workers will migrate to area X until the wage reaches an equilibrium with area Y. The simple dynamics of this adjustment process have been supported by some empirical studies, but there are a myriad of labor market impediments.

In any event, our research has found that high wages do indeed appear to draw workers to a given area. However, high wages are not sufficient to insure that they will stay in the area. In fact, if socioeconomic conditions such as the availability of basic social services, recreation facilities,

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[19]Econometric models, economic base models, and so on.

high crime rates, increased congestion, and so on, are of a nature that imposes "costs" on the worker and his family, there will be a tendency for them to move out of the area. This appears to happen even if the worker must take a decrease in pay or does not have a viable employment prospect elsewhere. What this suggests, of course, is that policy makers must focus their attention on non-market conditions as well as the traditional training, retraining, mobility aspects of the labor market. I feel strongly that we have not given enough attention to this problem and until we do, very difficult adjustment problems will continue to arise.

One final note on the socioeconomic conditions and their labor market impact. While the high turnover rates[20] implied in the above discussion are a serious problem, the related problems of chronic absenteeism and reduced productivity are also significant. Our research suggests that workers who are unhappy with the availability or quality of social overhead capital will be absent from work more often and will be less productive while on the job. The Denver Research Institute and North Dakota State University have published several reports that substantiate these findings.[21] I believe that here, too, is a fruitful area of further research and one in which concrete policy initiatives can be made thatwill have very high payoffs.

Virtually everything discussed so far deals with estimating the demand side of the labor market. I feel the I/O effort and a related energy labor market information study will provide us with reasonable demand estimates. To complete the equation, an evaluation of the supply side must be made. A member of my staff has outlined a possible supply study that I have under review. This has traditionally been the most difficult aspect of the labor market to get a clear picture of. I believe we will be able to make major inroads in estimating and projecting labor supply, but it will be six to nine months before any output can be expected.

This, incidentally, is an area in which we need your advice. I think we have identified most of the difficulities of the estimation process, but if anyone has any interest in this area, please let us know.

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[20]Firms in the Rock Springs and Gillette, Wyoming areas experienced turnover rates of 100 percent and greater during the peak expansion period.

[21]Leholm, Leistritz, and Hertsgaard, Local Impacts of Energy Resources Development in the Northern Great Plains, NDSU, September, 1984; Leholm, et. al., Profile of Electric Power Plan Construction Work Force, NDSU, July, 1976; J.S. Gilmore, et. al., Synthesis and Secondary Environmental Impacts on Western Energy Resource Development, DRI, July, 1976; DRI, et. al., Impact Analysis and Development Patterns for the Oil Shale Region, Mesa, Garfield, and Rio Blanco Counties, Colorado, February, 1974.

SUMMARY

The 1973 embargo and its aftermath have uncovered a major deficiency in the contingency planning framework of this nation. It is clear to me that we are ill-equipped to analyze the potential impact of another major energy interruption which logically implies that we are unprepared to structure efficient, timely, and effective policy measures to deal with it. I would strongly suggest that the Commission take the initiative in recommending to the Executive and the Congress that a major analytical framework be established immediately. The Department of Labor would be the appropriate agency to take the lead role in this effort.

Recent overtures by the OPEC block suggesting possible retaliatory action if the U.S. pursues support of actions contrary to the Arab embargo of Israel should be sufficient evidence that another embargo could occur. The lead time required to develop the analytical machinery will preclude their development after an embargo occurs. We must act now to develop a contingency planning capability that will have sufficient strength to address the potentially drastic consequences of another interruption.

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- *From School to Work: Improving the Transition,* Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.
- *Employability, Employment and Income: A Reassessment of Manpower Policy,* Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.
- *Jobs for Americans:* Prentice Hall, Inc. Englewood Cliffs, New Jersey 07632, October 1976.